

A STUDY OF THE PERCEPTIONS AND ATTITUDES OF CHINA TRADERS
TOWARDS VARIOUS PROMOTIONAL TOOLS IN THE P.R.C.

by

Andrew Pang Kin Kwan & Chan Yiu Min

彭建群

陳耀年

RESEARCH REPORT

Presented to

The Graduate School

In Partial Fulfillment

of the Requirements for the Degree of

MASTER OF BUSINESS ADMINISTRATION

TWO-YEAR MBA PROGRAM

THE CHINESE UNIVERSITY OF HONG KONG

May 1988

Charles F. Steilen

Dr. Charles Steilen

Advisor

Mesis
HG
4011
P.46

A STUDY OF THE PERCEPTIONS AND ATTITUDES OF CHINA TRADERS

TOWARDS VARIOUS AL TOOLS IN THE P.R.C.

487278

Author: Chan Yin Min
Title: 中國商人對各種工具之看法與態度研究



In Partial Fulfillment
of the Requirements for the Degree of
MASTER OF BUSINESS ADMINISTRATION

TWO-YEAR MBA PROGRAM
THE CHINESE UNIVERSITY OF HONG KONG
May 1988

Dr. Charles Steffen

Advisor

TABLE OF CONTENT

| CHAPTERS | PAGE |
|---|------|
| LISTING OF FIGURES AND TABLES | |
| ABSTRACT | |
| I. INTRODUCTION..... | 1 |
| 1.1 Increasing Emphasis on Promotion in the PRC | |
| 1.2 The Need of Promotion For Foreign Firms | |
| 1.3 Problems | |
| 1.4 Structure of The Research | |
| II. OBJECTIVE..... | 9 |
| 2.1 Need of Study | |
| 2.2 Research Objectives | |
| III. METHODOLOGY..... | 12 |
| 3.1 Phase 1 : Exploratory Research | |
| 3.1 Phase 2 : Survey | |
| 3.1 Phase 3 : Presentation of The Results | |
| IV. PRELIMINARY STUDY..... | 19 |
| 4.1 Literature Review | |
| 4.2 Results of Interviews | |
| 4.3 Conclusion | |
| V. COMPANY SURVEY..... | 42 |
| 5.1 Profile | |
| 5.2 The Structure of Promotion | |
| 5.3 Promotional Objectives | |
| 5.4 Promotional Budget | |
| 5.5 Effectiveness of Individual Promotional Objectives | |
| 5.6 Function of Promotional Tools | |
| 5.7 General Comments on The Promotional Tools | |
| 5.8 Relationship Between Comments of Promotional Tools and Frequency of The Use of Them | |
| 5.9 Conclusion | |
| VI. RECOMMENDATIONS..... | 73 |
| VII. CONCLUSION..... | 78 |
| Bibliography..... | 104 |

| APPENDIX | PAGE |
|---|------|
| 1. Respondents' Country of Origin..... | 80 |
| 2. Respondents' Years of Working Experience in the PRC | 81 |
| 3. Industry of Companies in the PRC..... | 82 |
| 4. Type of Business of Companies in the PRC..... | 83 |
| 5. Number of People of Companies Involved in China Trade..... | 84 |
| 6. Companies' Country of Origin..... | 85 |
| 7. Companies' Years of Experience in the PRC..... | 86 |
| 8. Cross-tabulation between Company's Country of Origin and Respondent's Country of Origin | 87 |
| 9. Cross-tabulation between Company's Country of Origin and Respondent's Expectation of Future Business..... | 88 |
| 10. Cross-tabulation between Company's Years of Experience in the PRC and Respondent's Expectation of Future Business..... | 89 |
| 11. Cross-tabulation between Company's Years of Experience in the PRC and Respondent's Perception of the Importance of Promotion..... | 90 |
| 12. Cross-tabulation between Respondent's Perception of the Importance of Promotion and Respondent's Country of Origin..... | 91 |
| 13. Cross-tabulation between Respondent's Perception of the Importance of Promotion and Respondent's Promotional Budget..... | 92 |
| 14. Cross-tabulation between Company's Years of Experience in the PRC and Company's Promotional Budget..... | 93 |
| 15. Cross-tabulation between Respondent's Perception of Future Business in the PRC and Company's Promotional Budget..... | 94 |
| 16. Questionnaire..... | 95 |

LISTING OF FIGURES AND TABLES

| FIGURE | PAGE |
|--------|------|
|--------|------|

- | | |
|---|---|
| 1. Chinese Hierarchy of Needs As Interpreted By Nevis.. | 6 |
|---|---|

Table

| | |
|--|----|
| 1. The Importance of Different Marketing Elements to China Traders..... | 45 |
| 2. Major Promotional Objectives For China Traders | 47 |
| 3. Amount of Money Spent on Promotion by Foreign Companies In the PRC..... | 49 |
| 4. The Promotional Tools which are Effective to Foreign Companies..... | 51 |
| 5. Cost Effectiveness, Target Audience Receptivity, and Reach of Target Audience of the Promotional Tools..... | 55 |
| 6. Availability of Supporting Facilities in the PRC to run Seminars, Exhibitions and Direct Mail Campaign..... | 56 |
| 7. Number of Desirable Target Audience to Attend Seminars, Exhibitions and Invitations to Visit Company..... | 57 |
| 8. Availability of Opportunities of Exhibitions and Sponsorship..... | 58 |
| 9. Availability of Advertising Space of Magazine Ads, Newspaper Ads, TV Commercials and Billboards..... | 58 |
| 10. Government Regulations on TV Commercials, Newspaper Ads, Magazine Ads and Billboards..... | 59 |

Abstract

The major objective of this research is to examine the effectiveness of various promotional tools employed by foreign companies in the PRC (People's Republic of China). Most of the information in this research comes from experienced China traders who have at least two years experience in China trade.

The researchers have conducted interviews with 16 companies which actively participated in various kinds of business in the PRC. Then a survey was conducted and 38 questionnaires returned were usable.

China traders at present rely heavily on promotional tools emphasizing on personal contact such as seminars, inviting people to visit their companies' facilities and exhibitions for promotion. The objectives of promotion concentrate mainly on the introduction of products. As the PRC has opened her door to foreign businesses for less than 10 years, it is conceivable that promotion of many kinds still suffer from many problems.

Since most companies adopt a long-term policy to approach the China market, it is advised that they have better to familiarize themselves with the promotional tools available. As more opportunities may emerge, they will find their experience accumulated in this period keep them ahead of their competitors in the future.

Chapter I Introduction

The People's Republic of China (PRC) has opened her door to foreigners for almost a decade. However, China traders still find many difficulties in understanding the complexities and subtleties of conducting business successfully in the PRC. With the huge potential in the China market, China traders are much interested in knowing more about what can contribute to success in this market.

This paper tries to investigate one aspect of the marketing mix, that is, promotion. The business environment in the PRC is unique. This makes it necessary to evaluate the effectiveness of different promotional tools in the PRC so as to derive the best benefits from them.

1.1 Increasing Emphasis on Promotion in the PRC

As the PRC marches towards her goals of modernization, it is inevitable for the government to ease its restrictions on promotion. Even though promotion carries a bad connotation during the period of Cultural Revolution, the decision makers in the government today understand the essence of having promotion to success of business activities. Additional complications arise because government efforts to restrict the use of advertising in the LDCs (Less Developed Countries) are

likely to have undesired side-effects.¹ For example, policies which constrain the use of advertising are likely to lead firms to rely more heavily on other tools in the marketing mix. These may demand more resources from society as a whole to achieve the same end. Moreover, government controls in general can lead to a freezing of current market positions. Such a policy offers no guarantee of improved social welfare. It does, however, open obvious possibilities for corruption.

The Chinese government is gradually relaxing advertising regulation to encourage more corporate competition. Since October 1986, the government has acted to meet the growing needs of the advertising industry, through the easing of regulations.² Companies are now permitted to quote product prices. Restrictions have also been lifted on the length of television advertisements and the size of ads in newspapers. In 1981, there were 2,000 media outlets and 16,000 advertisers, according to Government Statistics. In 1986, the industry boasted 6,944 outlets and 31,000 advertisers.

The Beijing 1987 Third World Advertising Congress held at the Great Hall of the People in June 1987 clearly shows the government's intention to put more emphasis on this piece of marketing. During the five-day event, 120 speakers gave their opinions on media and advertising in 43 workshops. More than 700 businessmen arrived in Beijing to join 1,000 Chinese delegates for this

conference.³

The Chinese government also designated the China Council for the Promotion of International Trade (CCPIT) to assist foreign firms to conduct promotion in the PRC. Prior to the Cultural Revolution, CCPIT handled trade transaction with countries that did not have diplomatic relationship with the PRC. After the PRC has adopted the open door policy, CCPIT kept promoting trade primarily through arranging exhibitions in the PRC and Chinese exhibitions abroad and through technical seminars. Foreign companies which would like to hold seminars in the PRC can contact CCPIT for assistance. In addition, some other government bodies were created and upgraded to facilitate the use of promotion by foreign firms. For example, the creation of the Ministry of Radio and Television in 1982 is intended to upgrade radio and television affairs from their former status as an administrative department.⁴ It is an effort to develop professional media which can be more effective in helping foreign firms to promote their products.

1.2 The Need of Promotion for Foreign Firms

It is not surprising at all that most Chinese, including representatives from government bodies or business entities, have never heard of the names of the largest and famous corporations in the world. They have lost their contact with the outside world since the Communists assumed power in China. It is conceivable that

4

they are hungry for information or simply anything about their trading partners. It is a mistake to assume that they know one's company, or even the name of it. Even though personal connections or relationships are always favored as the only means to be successful in the PRC, the appropriate use of promotional tools should not be ignored.

The emphasis of the use of these tools helped Japanese a lot in the early years of conducting business in the PRC. Since 1979, Japanese firms have probably sold more watches, household appliances and cars than any of their competitors mainly because the Japanese advertised their products through the Chinese media. They used very straight-forward, unsophisticated advertising, which in the absence of competition, became very effective.⁵ When the first sites for billboards were available to advertisers in Chinese cities, it was the Japanese camera and electronic manufacturers who saw the wisdom of investing in advertising.⁶ Disregarding the fact that their products such as TV sets and cameras were not available, they advertised them nevertheless. The Japanese eventually established a strong identity in the PRC and a secured foothold in the consumer market.

The importance of promotion, of course, is beyond the consumer market. Some trading bodies may not even know the existence of a foreign firm, which may fit their needs best. Also, It will put a foreign firm in a much

favorable position in negotiation with their trading partners if the firm has developed a strong corporate identity in their mind. A firm may develop excellent relationships with a particular group of decision makers, but the decision making process in the PRC usually involves a larger number of individuals. A small number of them is sufficient to block the deal. Credibility and trust are the essential elements for success in the PRC. Foreign companies have to be particularly careful to manage their images. In this respect, promotion can be a vital part for the growth of foreign firms in the PRC.

1.3 Problems

Although improvements have been made to facilitate the growth of the use of promotion by China traders, this development is still not at its full pace. Lack of reliable statistical figures of various media, high costs of running promotions, low standard of production are just a few of the problems.

Another major problem is the lack of understanding of the mass psychology and behavior in the PRC. What can motivate them to buy? The effectiveness of the use of western promotional techniques without modification in the PRC is questionable. Foreign advertisers in the PRC still keep making elementary mistakes. Advertisers often try to take TV commercials from Hong Kong, dub them into Mandarin, and show them in the PRC, believing that since

the viewers are all Chinese the results will be the same. But research has shown that while consumer perception of advertising in the PRC is changing, Hong Kong commercials are seen as too glamorous, too fast and too difficult to understand.⁷ Edwin C. Nevis has developed a hierarchy of needs of Chinese in the PRC based on the model of Maslow's as shown in the following figure.⁸

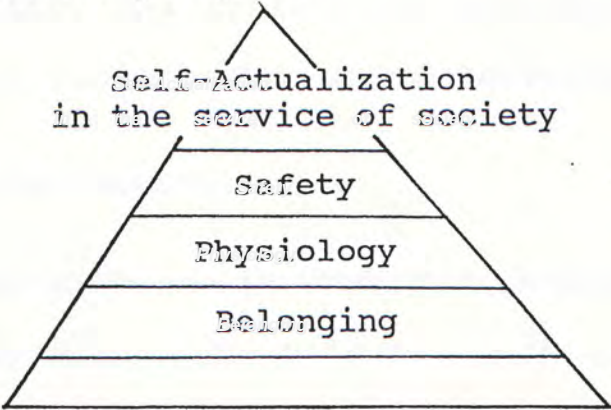


Figure 1 Chinese Hierarchy of Needs
As Interpreted by Nevis

Hans B. Thorelli and Joseph Y. Battat has drawn some conclusion about the urban consumer class in the PRC like high brand loyalty, sensitive to social risk, importance of word of mouth, high store loyalty, etc. On the whole, it is still in an early stage of exploring the behavioral patterns of consumers in the PRC. The use of promotional tools can definitely be more effective if we can understand their behavior better.

Moreover, the instability of political development in the PRC can hamper the growth in the use of promotion. Advertising and advertising people were purged during the Cultural Revolution. A slogan at the time was

"advertising is capitalism". A key contradiction for the development of advertising in the PRC is its role in arousing people's desire to buy products, while the party is condemning the encouragement of consumption, which it believes had risen to a level beyond the country's means to supply.⁹ The advertising industry can only be fully developed unless they can rationalize the advantages of advertising and win support from the conservatives.

1.4 Structure of The Research

Facing so many problems in conducting business in the PRC, China traders are eager to know about what can be helpful to them. This research intends to help China traders to have a better understanding of the use of various kinds of promotional tools in the PRC.

In Chapter II, we will elaborate why this study is necessary and essential. Also, the specific objectives of the research will be stated. In Chapter III, we will discuss about the approach adopted to achieve the research's objectives. Then the results and findings from various sources will be presented. Finally, conclusions and recommendations will be made.

Endnotes

- ¹W.H. Leff J.U. Farley "Advertising Expenditures in the Developing World", Journal of International Business Studies, Fall 80, P.72.
- ²Eppie Tam, "Beijing Eases Advertising Restriction", South China Morning Post, April 30, 1987.
- ³Carolyn Leung, "Media-men Flock to Great Hall for Show", South China Morning Post, June 14, 1987.
- ⁴May Seto, "Modernization and the Media", The China Business Review, Sept./Oct., 85 p.11.
- ⁵Sheryl Wudunn, "Japanese Know What It Takes to Woo Chinese," South China Morning Sept. 23, 1987.
- ⁶Paul Hopkins, "Rising Sun Shines in China", Asian Advertising and Marketing, Vol., No. 2, Feb. 86, p.11.
- ⁷Duncan Freeman, "The Impact Grows", China Trade Report, August 87, P.89.
- ⁸Edwin C. Nevis, "Using an American Perceptive in Understanding Another Culture: Toward a Hierarchy of Needs for The FRC", The Journal of Applied Behavioral Science, Column 19, No. 3, 1983 p. 256.
- ⁹"The Future of China's Advertising Industry", Hong Kong Economic Journal, June 22, 87, translated from the Financial Times.

Chapter II Objective

2.1 Need of study

With the rapid change of business environment in the PRC, even experienced China traders find difficulties in the use of promotional tools effectively to help conduct business, let alone new entrants. Since the development for modernization in the PRC is still in its infancy, new business tools and practices may emerge unnoticed. Different China traders may gain experience from different situations with their own unique insights. In addition, the PRC is a vast country. It is impossible for any individual to know what the best way to conduct business in different situations in the PRC is.

Researches related to China trade have seldom been done. At present, it is still difficult to conduct researches like measuring the effectiveness of TV commercials in the PRC. As a result, one of the best alternatives to understand the complexities of conducting business in the PRC is to solicit opinions from experienced China traders.

2.2 Research Objectives

Basically, the promotional tools we look into include TV Commercials, Newspaper Ads, Magazine Ads, Billboards, Seminars, Exhibitions, Direct Mail, Invitations to people

concerned to visit company's facilities, Sponsorships of sports and cultural events, etc., but not personal selling.

a. Importance of promotion

We intend to uncover the importance of promotion for businesses in the PRC. Also, we would like to find out how important promotion is compared with other factors such as personal connections, after-sale service, product price, company image, product quality, technology transfer, and personal selling. We would also try to uncover the relationship between the degree of importance of promotion to foreign companies and their backgrounds.

b. Objectives of promotion

We would like to find out what promotion can help foreign companies. We hope to find out if there are any promotional objectives which are more favored by China traders.

c. Effectiveness of promotional tools

We would like to find out which promotional tools are perceived by China traders as particularly effective in helping conduct business in the PRC. We would also like to find out what kind of promotional tools can best serve particular promotional objectives.

d. Comments of promotional tools

We would like to solicit comments from China traders about individual promotional tools. We then would like to find out the relationship between their comments on individual promotional tools and the frequency of the use of these tools by China traders.

In conclusion, we hope the experience and opinion of experienced China traders may help each other and new entrants to have a better understanding of the market and the promotional tools available. Also, through the collection of opinion, we may be able to find out some of the promotional alternatives which some experienced China traders may have ignored but is effective in helping them conduct business in the PRC. Through the sharing of information, we hope we can develop a clearer picture of what can contribute to success for foreign firms in the PRC. In Chapter III, we will be discussing the approach adopted to achieve the objectives mentioned above.

Chapter III Methodology

With the objectives set in Chapter II, we divide our research into 2 main parts. The first is to conduct an exploratory study which includes literature review and companies interviews. The second part is a survey in which questionnaires are sent to relevant companies to solicit opinions.

3.1 Phase 1 : Exploratory Research

Phase one is mainly qualitative research. It involves the interviewing of some chosen companies that are actively involved in China trade. Since similar research projects have not been conducted before, we raise open ended questions during the interviews and allow the interviewees to drift into issues which they think are important. We concentrate our discussions on the effectiveness of various promotional tools available in China.

The 16 companies involved in this phase are visibly active in China trade and many of them maintain a China office in Hong Kong. They are chosen to represent as many countries and industries as possible so that when we prepare for our survey, we would not be formulating one that is bias to certain business and countries. Also, we collect relevant information from newspapers, magazines

and various academic journals.

The exploratory research has two benefits. First, it equips us with the general knowledge and the insights of these interviewed companies before we launch an all out survey of the issue. Second, we can identify promotional tools which are important to these companies and identify attributes which we can use to measure the effectiveness and the perceived purpose of these and other promotional tools.

3.2 Phase 2 : Survey

3.2.1 Sampling Method and Sample Size

The China Telephone Book (1987) For Enterprises is used to choose foreign company names and addresses. Care has been exercised to avoid choosing those new entrants to China trade. A list of foreign companies is first drawn from the China Telephone Book For Enterprises of the current year. Then this list is used to check with the Telephone Book of two years ago. Those companies which names do not appear in the Telephone Book of two years ago are excluded from our survey. The companies that are left must have at least 2 years experience in China trade. Then we check those companies with A Directory of Resident Offices of Foreign, Overseas Chinese, Hong Kong and Macau Enterprises, 1985 and Classified International Business Directory for China (1985-1986) to make sure we know the industries of these companies. Finally, we choose 451

companies which represent all countries of origin and industry which are particularly active in China trade.

A structure-undisguised questionnaire is sent to these companies. As many of them are located in various parts of China, mail survey is the feasible method. Finally, 38 of the questionnaires returned are usable.

3.2.2 Pretest

After the questionnaire is formulated based on the results from the exploratory research, we conduct a pretest of the questionnaire by mailing them to 20 companies selected. These companies have offices in Hong Kong. We then follow up by calling and reminding these companies.

The results of the pretest show that most companies are reluctant to respond to questions that review a dollar amount of their budget for each promotional tool, although these questions make no effort to ask for their identities. Also, it helps us in clarifying some ambiguities of certain terms.

The revised questionnaire then ask for the importance of the promotional tools instead of the actual dollar amount. And the question asking their promotional budget which needs a dollar amount figure is put to the very end of the questionnaire so that the respondents are more at ease to answer.

3.2.3 Questionnaire Design

The design of the questionnaires is based on the information collected during companies interviews. It is divided into 7 parts to secure information in correspondence with our research objectives:

1. The first part concerns the importance of promotion compared to the importance of other marketing elements such as after-sale services, price, company image, product quality, personal connections, technology transfer, and personal selling.
2. The second part is to study which particular promotional tools are most effective in helping the respondents' companies to conduct business in the PRC. Ten promotional tools which are found particularly important to China traders during exploratory study are to be ranked by respondents. Also, we would like to find out if there are any other promotional tools which are effective to help them conduct business.
3. The third part is to uncover what the most important promotional objectives of companies conducting business in the PRC are. The respondents are asked to name the three most important promotional objectives.
4. The fourth part concerns the frequency of the use of different promotional tools of the respondents. We would like to identify those respondents who have more experience in the use of particular promotional tools,

so that we can analyses their responses independently.

5. The fifth part examines the functions of different promotional tools to China traders. A number of questions are asked such as what tools are used to create awareness for companies in the PRC, to inform target audience something about my company's products, to build up confidence to my company among target audience, to enhance company image etc.. We then ask them to name the promotional tools which can best serve the purposes mentioned by the statements.
6. The sixth part is to study the comments of the respondents on various promotional tools. We would like to know their comments in various promotional tools. We would also like to know their comments in various aspects such as cost effectiveness, target audience receptivity, reach of target audience, availability of advertising space, government negotiations, etc., of different promotional tools.
7. The last part asks the background information of respondents and the companies. Questions such as where the respondents grew up, what their positions are, how many years of experience they have in China, how they perceive their company's future in China, how many years of experience their companies have in China, what the country of origin of their companies are, what industries their companies engage in, etc. are asked.

Finally, we asked for their promotional budget in last year.

3.2.4 Analysis Method

Because the number of usable questionnaires is limited, it is not feasible to apply vigorous statistical analysis to examine the data collected. However, analyzing techniques such as frequency distribution and cross-tabulation can lead us to draw some important implications from the data available.

Firstly, we try to find out how important promotion is compared to other marketing elements. Also, we would like to find out the background of any company which believes promotion is more important to them.

Secondly, we try to find out if there are any promotional tools that are particularly favored by China traders in general.

Thirdly, we try to find out the major promotional objectives of China traders. Also, we would look into which promotional tools are able to help them to achieve these objectives.

Finally, we would like to know their comments on the promotional tools. In addition, we try to find out the comments of those who have more experience in the use of promotional tools and also the reasons why they do not use certain promotional tools as often as others.

3.3 Presentation of the Results

After collecting the information from various resources, we will present it in 3 parts. The first 2 parts will be discussed in Chapter IV. Indeed, the first part is the review of the academic journals which studied the attitudes of executives of the PRC towards advertising. It gives us good indication that how people in the PRC perceive the future of advertising in the PRC. Without doubt, their perception can have a lot of influence on the projection of the use of various different promotional tools by China traders in the PRC.

The next part deals with the results of the company interviews. Since, the PRC has developed business contact with foreigners only for a short period of time, some of the experience of China traders are unique and valuable. It is worthwhile that we can share their experience with those who are interested in developing business in the PRC.

Lastly, we will present the findings of the survey in Chapter V. Some of the issues are quite controversial. It is necessary to solicit opinions of those regards from larger number of experienced China traders. Also we can help those who are interested in China trade to have a better understanding of the general feeling of most China traders to some important issues about different kind of promotional tools in the PRC.

Chapter IV Preliminary Study

4.1 Literature Review

Although not many researches about promotion in the PRC have been done, there are a few published researches investigating the PRC's executives' attitudes towards advertising. It is conceivable that the attitudes of the PRC executives can give us hints of the possibility and feasibility of promotion to be an important tool for foreign businesses in the PRC in the future.

Attitudes of the PRC's Executives towards Advertising

a. The first research in this area was done in 1981. Mr. Y.N. Ho, Mr. Y.K.Kwan and Mr. J.P.Cragin conducted a research with a title of 'Contemporary Advertising Attitudes and Practices among Executives in the PRC'.¹ The research objectives were to examine how (1) Chinese marketing persons develop and employ advertising and (2) their attitudes towards advertising and its role in the firm and society. Personal interviews were arranged with 39 executives of the PRC, 19 of them working in Guanzhou and 20 operating in Hong Kong. A structured interview questionnaire was used.

They found that generally there was an increased recognition of the need of advertising. The PRC's executives agreed that advertising was essential to the

PRC's economy and promoted a higher standard of living. They seemed to be aware of the role of advertising that would play in the success of their company and the four modernizations program. Significant improvements had been made in advertising practices over the past few years. The executives expressed strong desire to improve their knowledge of advertising management, in particular, to learn from their Western counterparts.

On the other hand, advertising management practices in the PRC exhibited some fundamental weaknesses. Firms in the PRC had no advertising plan and tend to be seller-oriented. It was evident that they were still at the level of low appreciation of management philosophy and marketing concept.

Although they believed that advertising professionals should be held responsible for the effects of advertising and the government should control the content of advertising, they seemed to be generally more positive than their Hong Kong and American counterparts with respect to the economics and social impacts of advertising.

b. Another research in this area was conducted by Mr. Y.M. Sin and Ms. S.C. Ho with a title of "Advertising in China, Looking back at looking forward" which was published in 1986.² The research examined the findings of two empirical studies to highlight the prospects and

21

problems of employing advertising as a marketing tool in China.

The first part of the research was to measure the importance for success in China trade of promotion compared with other marketing elements, and to evaluate the effectiveness of different elements in the promotional mix.

Questionnaires were sent to Chinese firms and foreign firms engaged in China trade. Promotion was perceived as a relatively unimportant contributor to the success of China trade. It was ranked below personal connection, price, product and company prestige by the Chinese and the foreign firms. Advertising fell below personal selling, factory visits and exhibitions in terms of cost effectiveness as a promotional tool.

The second part of the research was to examine the attitudes of Chinese enterprise managers towards the economic, social content and practical aspects of advertising in China. The respondents came from a training class of 60 PRC managers in a Marketing Executive Program in Hong Kong.

The research found out some of the positive trends of advertising in the PRC. Most respondents agreed that advertising help raise the people's standard of living and helped economic development. They disagreed that advertising was a waste of economic resources and resulted

in higher prices. Also, most of them felt that advertising did not persuade consumers to buy things they did not want and disagreed that advertising had a bad influence on children.

However, they believed advertising, in general, did not present a true picture of the product and did not provide sufficient information for consumers to make their buying decisions either. In addition, they believed the frequency of advertising was too high although they considered the contents of advertisements in general were interesting and enjoyable.

c. The last research in this area was done by Mr. Nan Zhou, Mr. R.J. Semenik, and Mr. W.L. Moore with a title of "Chinese Managers' attitudes toward advertising in China",³ The objectives of the research were to examine China's business managers' attitudes and beliefs about advertising with regard to (1) micro-economic effects, (2) macro-economic effects, (3) levels of use and regulation and (4) social effects. A questionnaire was administered to 192 Chinese managerial personnel participating in management or executive development programs sponsored by the Chinese government at Chinese universities.

They found out that generally respondents had a favorable attitude toward advertising, but showed some uncertainty about the benefits derived from it. Most of them believed the use of advertising would not result in higher prices although not many agreed that advertising

would help promote standard of living.

Most respondents also exhibited some negative attitudes towards advertising. They felt that there were too many commercials on TV and radio and in printed publications. They thought the government should have more control over advertising, and advertisers should be held responsible for their ad. They also felt that commercial breaks should not interrupt broadcast programming and ads should be restricted to special publications.

Finally, they found out some contradictions in the respondents' beliefs about the social effects of advertising. Most of the respondents believed that advertising helps consumers make better purchase decisions and did not make them buy too much and buy what they cannot afford. However, they believed advertising persuades consumers to buy things they did not need.

In conclusion, these 3 researches found out the PRC's executives favored, in general, advertising in respect to broad economic issues and practical uses for business. However, they were less favored to the social impacts caused by advertising. They believed that there were too many advertisements, and advertising made consumers buy what they did not need. Also, they would like the government to exercise more control over advertising. Undoubtedly, these researches provide us with valuable

insights to understand the future development of advertising in China.

4.2 Results of Interviews

The researchers have conducted interviews with 11 companies, 2 advertising agencies, and 2 public relations agencies. All of which are actively participating in business activities with the PRC. The purposes of conducting these interviews are to (1) let researchers familiarize themselves with the promotional activities of foreign firms in the PRC, (2) let them have a better understanding of the necessities and difficulties of promotion in the PRC for foreign firms, and (3) develop some of the important issues for promotion in the PRC as well as to set up the framework for the survey. Since the companies interviewed offered valuable information and insights, it is worthwhile to highlight some of the important issues discussed during the interviews.

4.2.1 Objectives of Promotion

Basically, promotion can serve 2 major objectives in the PRC. The first one is to help China traders to negotiate successfully in the PRC. Actually, most of the time conducting business in the PRC means bargaining with trading partners. From exporting goods directly to markets in the PRC to forming joint ventures with major government or business entities, China traders are constantly negotiating with their trading partners in the PRC. A better understanding of what can be helpful and

4.2 Results of interviews

The researchers have conducted interviews with 12 companies, 2 advertising agencies and 2 public relations agencies. All of which are actively participating in business activities with the PRC. The purposes of conducting these interviews are to (1) let researchers familiarize themselves with the promotional activities of foreign firms in the PRC, (2) let them have a better understanding of the necessities and difficulties of promotion in the PRC for foreign firms, and (3) develop some of the important issues for promotion in the PRC so as to set up the framework for the survey. Since the companies interviewed offered valuable information, and insights, it is worthwhile to highlight some of the important issues discussed during the interviews.

4.2.1 Objectives of Promotion

Basically, promotion can serve 2 major objectives in the PRC. The first one is to help China traders to negotiate successfully in the PRC. Actually, most of the time conducting business in the PRC means bargaining with trading partners. From exporting goods directly to markets in the PRC to forming joint ventures with major government or business entities, China traders are constantly negotiating with their trading partners in the PRC. A better understanding of what can be helpful and

available in the PRC undoubtedly can enhance the possibility of success.

The second major objective for promotion in the PRC is to communicate with consumers. It is always the dream of foreigners to be able to sell their products to consumers in the PRC which accounts for one-fourth of the world's population. It is beyond doubt that without effective promotional programs, it is very difficult to be successful in the consumer market.

4.2.2 Negotiation

i. An understanding of your trading partners

Although the PRC has opened her door for almost 10 years, Chinese government officials and business people still do not know much of the business activities outside the PRC. They are restricted from going overseas, seldom to have contacts with foreigners and difficult to access to foreign publications. It is not hard to imagine that how difficult it is for them to make business decisions. Conceivably, they are hungry for information. They may not even know the names of the largest corporations in the world. When dealing with a group of foreigners, they are eager to know their trading partners' backgrounds and companies, the details of the products offered, and so on.

They are also afraid of being deceived. This kind of incidents have happened in the PRC. Because of the lack

of knowledge of the business world outside the PRC, they have heavily relied on the information supplied by their trading partners. Recently, they have been more careful in selecting trading partners and spent plenty of time to study different alternatives. That is the reason why good relationships are always emphasized. They are looking for China traders that can be trusted and would help them personally and the PRC as a whole.

They have a strong inclination to say 'no'. It matters little to them if they fulfill beyond what they are supposed to do. Additional contribution may not be rewarded accordingly. However, the consequences of making a mistake may result in ruining their careers. As the incentive given to decision makers is still not sufficient, this will keep going on.

On the other hand, Chinese negotiators always put their own benefits prior to anything else while bargaining with outsiders. As this may be the first time ever they have in their lives to derive benefits from outsiders, they will try their best to take advantage of it. It is no wonder why gift giving is a common and necessary practices in the business world in the PRC.

Despite the fact that the PRC is eager to adopt western technologies, the decision process for such bargaining is still bureaucratic. Too many people are involved. What makes it particularly difficult for China traders is there are some people they do not meet but have

28

influence on the decision. China traders have to convince them in their absence.

ii. What can promotion do for negotiation

One of the dilemma of conducting promotion in the PRC is to supply a lot of information to a large number of target audience. A foreign company has to show them its record of achievement such as size, history, reputation and technological leadership in order to win their confidence. Also, they have to inform their trading partners that their products are able to meet the needs of them and help the modernization program in the PRC. Life will be much easier for China traders if their trading partners have a deeper understanding and hence more confidence of their companies and products offered. The backwardness of infrastructure for communication in the PRC makes promotion in the PRC particularly hard. However, experienced China traders have developed some promotional tools which they believed are quite effective in helping negotiation with their trading partners. And the promotional tools mentioned by them will be discussed later in this chapter.

4.2.3 Consumer Market

i. An understanding of the consumer market

After the import boom of the PRC in 1984 and 1985, some China traders thought that the consumer market in the

PRC no longer exists for foreigners. However, some thought otherwise. They still believed that there is potential in the Chinese consumer market if their products can meet certain requirements.

There are some favorable factors in the PRC for foreigners to enter her consumer market. Income of the Chinese people has been increasing and they do not have much to spend on since housing, electricity, and water supply are heavily subsidized by the government. They have high disposable income and want to increase their standard of living. Their behavioral pattern and psychology in purchasing products are quite similar to people in Hong Kong in the 50's and 60's. Foreign goods stands for high quality and prestige.

Of course, there are requirements to be met before a foreign products can be sold successfully to Chinese consumers. The price of products sold cannot be too high. Products like soap or powdered milk are welcome by Chinese consumers at this point of time. Also, it is desirable to seek a low import tax since most foreign products are taxed heavily. The high tax will squeeze the profit margin and makes the product not worthwhile to sell in the PRC.

ii. What can promotion do for consumer product

Consumer market in the PRC is different from others because it has two frontiers. The first one is to have

30

consumers to accept products offered. The second is to have support from the distributors and foreign trading companies in the PRC. Only a few government bodies control all of the outlets in a city in the PRC. Even if the products are welcome by customers, it may not be permitted to be sold in the retail outlets. So, a good relationship with different trading organizations and distributors in the PRC is essential for success in addition to the consumers' acceptance of the products.

Distributors will not take the risk of stocking up a foreign product. They will suffer great pressure from their superiors who suspect that they may have wrongly allocated their resources. Therefore, a foreign product has to have a high demand in the PRC before they are accepted by distributors. Distributors themselves have no obligation of promotion. Promotion to stimulate demand for their products has to be done by suppliers.

4.2.4 Promotional tools

Based on the unique business environment, various promotional tools have been employed by China traders to help develop their business in the PRC. It is worthwhile to solicit opinions in this regard from experienced China traders in order to have a better understanding of these promotional tools.

i. Seminars

Because of the lack of knowledge to the world outside

the PRC, seminars are good tools to pass detail information of the products and companies to clients in the PRC and train local staff. Most China traders believe it is a very effective tool and they have no problems of finding the right target audience to attend their seminars. Although the PRC is a vast country, they are able to invite desirable audience to their seminars from different parts of the PRC.

Some of the companies interviewed make good use of seminars to promote their business in the PRC. One Hong Kong based construction company has its sales people scattering over the PRC. Once these sales people identify construction opportunities in certain part of the PRC, they will inform Hong Kong head office which shall organize a team from different departments according to the requirements of the project. Then the team will hold seminars in the designated region lasting for a couple of days or more and invite related departments and personnel to join the seminars. Basically, they will have a thorough introduction of their companies, past performance in the PRC, and proposal of the project. During the seminars, the PRC's participants will jotted down carefully everything they said. After the seminars, this Hong Kong based construction company will keep contact with their potential customers by soliciting their comments and then supply them with more information. The company believed it is an effective way to help them win

construction contracts in the PRC.

A company which promote consumer products in the PRC makes other use of seminars. As distributors in the PRC do not know much about promotion, the company has to educate them. So it has to gather their distributors periodically to inform them what they are doing to promote the product, from explaining the promotional objectives to telling them what particular actions will be taken. More importantly, it can demonstrate to their distributors that they are doing their best to support the product in an attempt to win the distributors' continuous support.

ii. Exhibition

The proliferation of exhibitions in the PRC has demonstrated its importance to China traders. However, most experienced China traders interviewed do not think exhibition is an effective tool to help them in the PRC. They simply do not participate in exhibition or do it just to show their presence. They believe they cannot derive any concrete benefit from it. They think that most companies joined the exhibitions are new comers and exhibitions are effective only for opening markets in the PRC. So experienced China traders, who have already set up good network in the PRC to reach their targets, believe that exhibitions cannot help them much.

There are also many other problems about participating in exhibitions in the PRC. The present rate

per square meter for a booth is between US\$ 200 to 400, one of the highest in the world⁴. Many exhibitors complain about the poor management of the China Council for the Promotion of International Trade (C.C.P.I.T), the government agency overseeing exhibitions, and insufficient visitors to exhibitions⁵. Companies also complain about scheduling conflicts. Exhibitions in the same or similar sectors held too close in succession or geographic proximity can dilute the quality of the audience and the money available for purchases.⁶ Fortunately, CCPIT has recently been putting a lot of effort on improving the situation like tightening its control to avoid overlapping services and to cut down on the number of poorly-managed exhibitions.

iii. Sponsorship

Chinese government has always welcomed foreign companies to sponsor some sports and cultural events in the PRC. Although this kind of sponsorship may not directly improve the relationship with trading partners or enhance the company's image, it can result in wide media coverage. The State Express/555 Hong Kong - Beijing rally reveals vividly the effect of a good sponsor program in the PRC. Every year the event can arouse so much attention from the public and media coverage. United Airlines' cultural exchange program between Beijing and Washington seems to improve much of its image in the PRC. The PRC is a place where sponsorship can effectively serve

certain kind of promotional objectives if companies can consciously identify opportunities available or create their own programs which are interesting to the PRC's decision makers and the public.

One of the creative use of sponsorship was done by IBM which sponsored the internationally-acclaimed television series, Planet Earth, on China Central Television (CCTV).⁷ A 30 second corporate TV commercial was broadcasted twice during each episode of the series. Its theme was how computers can improve the quality of life and it served to emphasize IBM's relationship with the PRC. IBM was thought to have reached over 200 million viewers with its Planet Earth programs and received good press coverage.

iv. Invitation

Most experienced China traders believe that invitation of trading partners to visit overseas facilities is one of the most effective way to promote business in the PRC. Although the cost of bringing a team of trading partners overseas is expensive, they believe that it is worthwhile to do so.

Chinese cannot go overseas for personal matters. One of the ways to have a chance to go overseas is through business contacts. Visiting overseas facilities does not mean they will learn a lot about a company or a product. Instead, they will be more happy to see how the world

outside the PRC is. It is one of the crucial elements in success in negotiation in the PRC to offer trading partners personal benefits like a free trip to visit overseas.

v. TV Commercials

Most China traders thought TV commercials is not effective to promote their business in the PRC since most of their target audience are just a small group of decision makers. However, there is still some companies, employing TV commercials as their promotional tools. IBM is one of the few companies in the PRC to make extensive use of TV commercials to help promote its products. They believe that it is a very effective means to reach a large number of audience.

China Central Television (CCTV) is the only national network which claims to reach about 200 million people. Every province has its own stations and there are over 40 TV stations in the PRC.

Most China traders think TV commercials are expensive in the PRC, and some of them even say it is more expensive than in the U.S.. However, some experienced traders say the media rate is subject to negotiation. One can complain of their rapidly increasing rate and can get a much lower rate if you have a good relationship with them. Other China traders said they did not advertise their products on TV by themselves or employ foreign advertising

36

agencies to do it because they have to pay foreign exchange currency through these channels. Instead, they pay RMB by having their joint venture partners to place TV commercials.

Sex appeal and hard selling are not allowed to be used in TV commercials. However, most China traders think the regulation over TV commercial is not too strict. Normally, advertisers have no problem of achieving what they intended. One example of censorship is the commercial of Lux. At the end of the commercials, Cheryl Ladd walks out from bathroom with a towel on. This is the only shot that is censored. Another example of censorship is the commercial of Levi's. The whole commercial focuses on the waist of young people wearing jeans twisting around. Actually, the PRC does not have TV Advertising or Censorship Boards. Instead, approval is subject to the judgment of individual TV station. So, a commercial which is accepted by one station may be rejected by another.

Most China traders believe that the Chinese audience are not used to the more sophisticated advertising techniques. China traders should then produce commercials which suit their taste and inclination. It is just a matter of culture and commercials must be tailored made to take this into account.

vi Printed Advertising

Magazines and newspapers are the two major sources

for printed advertising in the PRC. A wide selection of magazines is available in the PRC and it is becoming more liberal and fits to the taste of particular segment of the market. One computer firm believes magazine is the most effective media for them to promote their products. Through magazine, they can introduce new products to their desired target segment. However, its quality of paper and standard of printing techniques may not meet the expectations of foreign traders. Sometimes, they cannot produce certain effect desired by foreign traders.

Most China traders say they do not rely much on newspaper advertising even if there are over 100 national, provincial and county newspapers. Because of the lack of paper in the PRC, newspapers do not have much space for advertising. Advertisements are not allowed on the front page and cannot occupy a full page either. With the limited space, it requires a long lead time before an ad can be put on a newspaper.

vii. Press Release

Releases in press in the PRC enjoy a high degree of credibility. So, it is desirable to have more information about a company in press. An interview with business representatives or technical experts, an opening ceremony, press briefings and other events can normally result in positive editorial coverage. Audience are interested in reading stories. They do not incline to read financial results or appointment announcement of a company but they

like stories about products, technology, and business deals. The press just wants to release correct information and is not interested in controversial material like their counterparts in western countries do .

Some companies say it is hard to have their companies information appeared in the press because there are too many releases sent to press. Actually they have to constantly feed information to media, otherwise, the media will stop writing about their companies.

viii. Sales Promotion

As people in the PRC have a lot of spare time, sales promotion programs can always result in high response. One common way for products like soft-drinks and coffee to be promoted in the PRC is to give free samples. As these products are relatively expensive to them, they may not be willing to try it even if they know the products well through different media. So, the best way to make them try is to offer them free drinks. Normally, this kind of promotion can attract large number of people with a long queue and the result will be more than satisfactory.

Nike enhanced its company's image in the PRC during the period of the Asian Games. They advertised in newspaper and invited people to guess how many gold medals the PRC would obtain in the Asian Games. Special arrangements were made with the Post Office. This kind of

promotion can be effective but a lot of work has to be done. It has to be permitted by relevant government bodies in fear that the activities may be classified as gambling. Also, the promoter has to be politically attuned. Any activities that can directly or indirectly link to affecting people's political ideology will be censored immediately.

Lever Brothers had launched a campaign of designing flower basket in Guangzhou to promote Lux. They were satisfied with the result as the response rate was very high. However, they also ran into some difficulties. The staff in the PRC were not as enthusiastic as those in Hong Kong. For instance, they were reluctant to post a poster for other companies and not eager to collect anything from respondents at all. Also, there were too many decision makers in just one department store. The activities launched in one area of a store could not interfere with the activities of others because different decision makers are responsible for different areas. They were not happy to see activities in other area affecting the area for which they were responsible.

4.3 Conclusion

After the interviews, some important issues of promotion in the PRC were highlighted by the interviewees. It is worthwhile to explore more about these issues from some other China traders.

It seems that different companies have different views on the importance of promotion to them in the PRC. Also, they have different promotional objectives. It will be helpful if we know what types of companies perceive promotion as more important and what objectives promotion can serve in the PRC.

The promotional tools which perceived by interviewees as effective includes TV commercials, newspaper ads, magazine ads, seminars, exhibitions, sponsorships, direct mail and invitations to people to visit company's facilities. Of course, different interviewees perceived the effectiveness differently even though some of the promotional tools seem to be particularly favored by most interviewees. In addition, some of the important issues about these promotional tools were mentioned by interviewees such as government regulations on the promotional tools, the availability of advertising space of different media, the availability of supporting facilities to run different kinds of promotion, the number of target audience to be reached, and so on. Since these issues directly affect the effectiveness of the promotional tools, it is necessary to get a better understanding of them.

A survey was designed for these purpose. We try to incorporate the important issues mentioned by interviewees in a questionnaire which was sent to 461 foreign companies which engaged in China trade. Thirty eight of the

questionnaire returned were usable. The findings of the survey will be presented in Chapter V.

Endnotes

- ¹Y.N. Ho, Y.K.Kwan and J.P.Cragin, 'Contemporary Advertising Attitudes and Practices among Executives in the PRC', Journal of the Market Research Society, Vol. 25, No. 1, Jan. 83, p.59.
- ²Y.M. Sin and S.C. Ho, "Advertising in China, Looking back at looking forward", International Journal of Advertising. 1986,5, p.307.
- ³Man Zhou, R.J. Semenik, and W.L. Moore "Chinese Managers' attitudes toward advertising in China", Journal of Advertising, Volume 15, No.4, 1986, p.56.
- ⁴Thaddeus Hwong "China set boost HK Industry shows", Feb.4, 1988, SCMP.
- ⁵Eppie Tam, "Crisis seen in China's exhibition industry", May 23, 87.
- ⁶Priscilla Totten, "Exhibitions at the Crossroad", The Chinese Business Review, July/August 87, p.43.
- ⁷"IBM Break New Grounds in China Advertising", Feb. 88. p.7 Asian Advertising and marketing.

Chapter V Company Survey - Findings

As stated in Chapter IV, the survey is conducted based on the information of the interviews. However, the collection of information through the survey is from larger number of respondents with different backgrounds. Major issues raised during personal interviews are further explored through the survey.

5.1 Profile

We would like to collect information from companies with different backgrounds. It seems that this goal has been achieved. As shown in Appendix 1, although more respondents are from Hong Kong, there are some from the U.S., Europe, Japan and the other countries. It can be seen from Appendix 2 that the years of working experience of the respondents are quite evenly distributed. Also, the industries engaged by the companies included computers, telecommunication, chemicals, transportation, energy, machine and, equipment and consumer products as shown in Appendix 3. Different types of business are engaged by the companies including sales agent, joint venture, direct export, contract manufacturing and wholly-owned subsidiary as shown in Appendix 4.

In addition, it indicates in Appendix 5 that the scale of operation of the companies are quite different.

Some companies have less than 7 employees directly involved in China trade while others have more than 100. Although more companies are from the U.S., there are also many others from different countries as indicated in Appendix 6. As expected, Appendix 7 indicated that, most companies have long years of experience in China trade.

5.1.1 Special Features

i. Company's country of origin and respondents' country of origin

As shown in Appendix 8, most companies tend to employ people of the same country of origin as the companies. However, companies of different country of origin employ people from Hong Kong other than people of their own countries. It is understandable that Hong Kong people have a special kind of advantages to conduct business in the PRC. On the one hand, they are Chinese origin and have deeper understanding of the culture and hence the way of doing business with the PRC. On the other hand, they have good exposure to the international business environment.

ii. Future in the PRC

It can be seen from Appendix 9 that Japanese companies' expectation of their business in the PRC is low compared with companies from other countries. Some of the Japanese respondents attribute their low expectation to the appreciation of Japanese Yen, and also to the trade

imbalance between the PRC and Japan. On the contrary, Hong Kong companies expect their business to be excellent or good.

From Appendix 10, it seems that the longer a company stay in the PRC, the lower its expectation on the future of doing business with the PRC. This relationship may be due to fact that the PRC is more selective in trading with foreign companies now. These companies which entered the PRC long time ago may no longer fit into the modernization program, while those companies which entered the PRC recently may suit better to the recent policy developed by the PRC for its modernization program.

5.2. The Importance of Promotion

Before looking into different aspects of promotional tools it is worthwhile to know how important promotion is compared with other major marketing elements such as company's image, personal connections, technology transfer, personal selling, after-sales service, price and product quality. It is commonly recognized that these marketing elements are important to the success of China trade.

Table 1
The Importance Of Different Marketing Elements to
China Traders

| <u>Marketing Element</u> | <u>Mean*</u> | <u>Rank</u> |
|--------------------------|--------------|-------------|
| Price | 3.368 | 1 |
| Personal Connections | 3.342 | 2 |
| Company's Image | 2.973 | 3 |
| After Sales Service | 2.919 | 4 |
| Product Quality | 2.838 | 5 |
| Promotion | 2.541 | 6 |
| Technology Transfer | 2.467 | 7 |
| Personal Selling | 2.407 | 8 |

* Note: The higher the mean, the more the importance of the marketing element to China traders.

It can be seen from the above table that the marketing elements can be divided into 3 categories. Personal connections and price are the most important category to China traders. The second important category includes company's image, after-sale services and product quality. Meanwhile, the least important category includes promotion, technology transfer and personal selling. The degree of importance of these marketing elements are quite reasonable. As foreign exchange in the PRC is always in short supply, Chinese businessmen put serious attention on price of products. It is believed that personal connections is inevitable in conducting business in the PRC. Without trust and close relationship, it is almost impossible to sign any business contracts in the PRC. It is understandable that promotion is in the least important category. Since the use of promotion by foreign traders is still in the early stage of development. It still needs some time before foreign traders can make the best use of them in the PRC. It is surprising, though, to

find that personal selling was perceived to be the least important among the marketing elements.

5.2.1 Some more about Promotion

It can be seen from Appendix 11 that companies which operate longer in the PRC believe promotion is more important to them. Among those companies which have been in the PRC for more than 8 years, about 56% of them believed promotion is very or extremely important to them. Only 36% with 5 to 7 years of experience in the PRC and 25% with 2 to 4 years of experience have the same belief.

As shown in Appendix 12, Americans are less favorable to promotion. None of them believe promotion is either extremely or very important at all. However, 60% of Japanese and 56% of Hong Kong people believe promotion is extremely important or very important.

5.3 Promotional Objectives

Due to the PRC's unique business environment and cultural heritage, China traders may have a different set of promotional objectives to help them conduct business. As shown in the table below, their promotional objectives are quite consistent to suit the business environment in the PRC.

Table 2
Major Promotional Objectives for China Traders

| <u>Objectives</u> | <u>first</u> | <u>second</u> | <u>third</u> | <u>Total</u> |
|---|--------------|---------------|--------------|--------------|
| To introduce products | 10 | 4 | 0 | 14 |
| To develop relationship | 5 | 6 | 2 | 13 |
| To enhance company's image | 4 | 4 | 3 | 11 |
| To provide information of product's details | 2 | 7 | 5 | 14 |
| To meet end users and decision makers | 3 | 1 | 0 | 4 |
| To create demand | 2 | 0 | 2 | 4 |

The above is the 6 major promotional objectives of the respondents. The promotional objective "to introduce products" is overwhelmingly recognized as the most important. Ten respondents say it is the most important objectives and 4 said it is their second. In addition to another objectives "to provide information of product's details", it is no doubt China traders' main concern about promotion lie on product. Since the PRC's businessmen do not have too many channels of access to information available outside the PRC, they simply do not know what alternatives are available to them. So, the availability of products to fit their needs best is one of the critical factors to success in the PRC. As a result, foreign firms are eager to let trading partners in the PRC know what products their firms can offer.

The importance of the other two objectives, "to develop relationships", and "to enhance company's image", are unique to the business environment in the PRC. As revealed before, personal connections and company's image are two of the most important marketing elements for China

traders. It is reasonable that foreign companies would like to try their best to develop relationship with their trading partners and to enhance their companies' image in the PRC. What makes promotion particularly valuable to China traders is the capability to enhance company's image on a nationwide scale.

The least important promotional objectives are "to meet end users or decision makers", and "to create product demand". One of the major problems of conducting business in the PRC is that there are too many decision makers. One or a small number of them can block a business deal. However, these people may not appear in formal business gathering at all. Only through an active search may foreign businessmen meet them personally. Also, for most of the time end users may not meet foreign traders, but their opinion may affect the decision of their superiors who, in turn, make business deals. In other countries, "to create demand" may be a much more important promotional objective to businessmen, but in the PRC, the importance of promotion lies elsewhere.

Apart from the above objectives, some other promotional objectives are suggested by a smaller number of the respondents. They are:

- (i) to direct customers to contact them,
- (ii) to develop good relationship with retailers,
- (iii) to assure clients know their presence in the PRC,
- (iv) to keep frequent contact with clients,
- (v) to gather competitive intelligence,
- (vi) to widen contact,
- (vii) to understand suppliers and customers.

5.4 Promotional Budget

The amount which the companies spent on promotion can reflect how active their promotional activities are in the PRC. Even though only 20 respondents are willing to disclose their promotional budgets, they give us a good reference of how much foreign companies spent on promotion in the PRC. As shown in the following table, the amount they spent varies substantially from one another.

Table 3
Amount of Money Spent on Promotion by

| <u>Foreign Companies in the PRC</u> | |
|-------------------------------------|----------------------------|
| <u>Amount in HK dollars</u> | <u>Number of Companies</u> |
| 120,000 - 300,000 | 6 |
| 500,000 - 800,000 | 5 |
| 1,000,000 - 2,500,000 | 5 |
| 4,000,000 - 6,000,000 | + |
| | 4 |
| | 20 |

The amount of money spent on promotion is quite evenly distributed of the companies which are willing to disclose them. It lies in between HK\$ 120,000 to HK\$ 6,000,000. Six companies spent from HK\$ 120,000 to HK\$ 300,000 on promotion in the PRC in 1987, 5 companies spent from HK\$ 500,000 to HK\$ 800,000 each and another 5 spent from HK\$ 1 million to HK\$ 2.5 million each. Meanwhile, 4 companies spent in between HK\$ 4 million to HK\$ 6 million.

It is quite hard to trace the relationship of the promotion amount with some other factors such as number of employees in the PRC, companies' country of origin,

industries of the companies, etc.. One of the reasons is the limited number of respondents that answered this question. However, it is helpful to uncover some of these kinds of relationship as a reference for the understanding of promotion in the PRC even if there are only limited respondents.

It can be seen from Appendix 13 that the respondents who believe promotion is more important spent more on promotion. It is very likely that for those companies which perceived promotion as less important rely on something else like good personal connections, inexpensive products, etc..

Appendix 14 indicates that those companies which have stayed in the PRC longer spent less on promotion while those with less experience spent more. This phenomenon hints that experienced firms in the PRC may already established good connections and image. The PRC'S trade organizations may also know their companies and their products well. For those companies with less experience, they may rely more on promotion to develop connections, enhance company's image, introduce products, and other objectives.

From Appendix 15, it can be seen that those companies which perceived their future as good spent more on promotion while those which perceived their future as bad or unknown spent less on promotion. It is logical that

those which have confidence about the future spent more, while others spent less to cut their cost.

5.5 Effectiveness of Individual Promotional Tools

Although promotion is still in the early stage of development in the PRC, there are a number of promotional tools available to China traders. It is noticed in the following table that most China traders, however, consider only a few promotional tools as effective in helping them to conduct business in the PRC.

Table 4
The Promotional Tools which are Effective to Foreign Companies

| <u>Promotional Tools</u> | <u>Most Effective</u> | <u>More Effective</u> | <u>Effective</u> | <u>Total</u> |
|-------------------------------|-----------------------|-----------------------|------------------|--------------|
| Seminars | 14 | 5 | 6 | 25 |
| Invitation to visit Companies | 12 | 6 | 7 | 25 |
| Exhibitions | 6 | 8 | 4 | 18 |
| Newspaper Ads | 2 | 4 | 3 | 9 |
| Magazine Ads | 1 | 6 | 3 | 9 |
| Direct Mail | 1 | 3 | 5 | 9 |
| Sponsorships | 1 | 3 | 3 | 7 |
| TV Commercials | 1 | 2 | 0 | 3 |
| Billboards | 0 | 0 | 1 | 1 |
| Press Releases | 0 | 0 | 0 | 0 |

It can be seen that most respondents favor seminars and inviting their trading partners to visit their facilities. Exhibitions followed them to be ranked as the third most effective tools. All of these three tools are conducted through direct personal contact. Conducting business in the PRC is still much dependent upon face-to-face negotiation and detailed explanation of every minor detail. It also reflects that local Chinese business

organizations still do not know much about foreign companies and products, and require large amount of information to make buying decisions. Newspaper Ad and magazine Ad are far behind in the fourth and fifth position. It is expected these media will eventually play a more important role in the future development of promotion in the PRC. Direct mail and sponsorship also gain some attention from foreign companies. However, only a few foreign firms believe TV Commercials is effective to them. It seems that there will be a long while before foreign firm can make use of TV to help promote their business in the PRC. Also, billboards are perceived to offer not much help to foreign firms. Lastly, no respondents perceived press releases as an effective promotional tools.

5.6 Function of Promotional Tools

In the previous section, it shows that foreign companies believe that only a few promotional tools can effectively help them conduct business in the PRC. Now, we try to uncover what promotional tools can help to achieve those objectives which they perceived as important.

5.6.1 Products

When respondents are asked what promotional tools are effective in helping them create awareness of their products, most of them select seminars. Apart from this

tool, the answers are quite diverse. They suggest direct mail, invitation to visit facilities, TV commercials, newspaper ads to be the tools that can also be helpful.

If they want to let target audience have a thorough understanding of their products, the tools they recommend are seminars and invitations to visit facilities. It seems that the target audience have to be invited to meet with foreign traders so as to give the foreign traders an opportunity to explain the details of a product to them.

5.6.2 Relationship

Two promotional objectives, "to get acquainted with people in the organization of the company's clients in China", and "to reinforce contact with customers", can contribute to develop better relationship with China traders and their trading partners. The respondents suggest the use of seminars and invitations to visit facilities to achieve these objectives. It is conceivable that the most effective way to develop relationship is through personal contacts.

5.6.3 Company's Image

In order to enhance companies' image, the respondents recommend the use of TV commercials, newspaper ads. They also recommend the effectiveness of these tools in this order. Although these tools are recognized as less important to China traders at present, they are very effective tools in reaching large number of audience in

the PRC. It follows that, as the economy in the PRC keeps growing, the importance of these promotional tools to foreign traders will be increasing.

While respondents are asked what tools are effective in helping build up confidence to their companies among target audience, seminars and invitations to visit facilities are suggested again to be used. Undoubtedly, their trading partners would like to see some concrete evidence before they build up confidence on foreign firms.

5.6.4 To meet End User

Seminars and exhibitions are the tools suggested by foreign traders as the ways to meet end users. Seminars can be in the form of training sessions. Normally, Chinese organizations would invite the end users of a product to attend this sort of seminars. Similarly, Chinese organizations would send their end users of a product to attend exhibitions in order to get more information.

The above is just to show some of the more important objectives which China traders depend on different promotion tools to achieve. It is obvious that China traders still concentrate their promotional efforts on the type which emphasizes face-to-face discussion.

5.7 General Comments on the Promotional Tools

As the PRC has only relaxed its restriction on

promotion recently, there is much room for improvement before China traders can make the best use of promotion. So, it is important to know what promotional tools perceived by China traders are helpful to them at present. Also, we would like to find out what hinders the development of certain promotional tools in the PRC.

As shown in Table 5, the target audience receptivity and the reach of target audience of a promotional tools have a high correlation with its cost effectiveness perceived by China traders. In most of the cases, when a promotional tool perceived to be high cost effectiveness relative to others, it is also perceived that the reach of target audience and the target audience receptivity of the tool are also relatively high.

Table 5
Cost Effectiveness, Target Audience Receptivity, and Reach of Target Audience of the Promotional Tools

| <u>Promotional Tools</u> | <u>Cost Effectiveness</u> | | <u>Target Audience Receptivity</u> | | <u>Reach of Target Audience</u> | |
|------------------------------|---------------------------|-------------|------------------------------------|-------------|---------------------------------|-------------|
| | <u>Mean</u> | <u>Rank</u> | <u>Mean</u> | <u>Rank</u> | <u>Mean</u> | <u>Rank</u> |
| Invitations to visit company | 3.618 | 1 | 3.800 | 1 | 3.594 | 1 |
| Seminars | 3.543 | 2 | 3.639 | 2 | 3.500 | 2 |
| Exhibitions | 3.353 | 3 | 3.257 | 3 | 3.094 | 3 |
| Direct Mail | 3.094 | 4 | 3.125 | 4 | 3.030 | 4 |
| Newspaper Ads | 3.063 | 5 | 2.939 | 7 | 2.594 | 8 |
| Magazine Ads | 3.000 | 6 | 3.118 | 6 | 2.941 | 5 |
| TV Commercials | 2.969 | 7 | 2.818 | 9 | 2.452 | 9 |
| Press Releases | 2.879 | 8 | 2.912 | 8 | 2.613 | 7 |
| Sponsorship | 2.375 | 9 | 3.121 | 9 | 2.719 | 6 |
| Billboards | 2.690 | 10 | 2.438 | 10 | 2.032 | 10 |

However, the ranks of the target audience's receptivity and the reach of target audiences of TV

56

commercials and newspaper ads are relatively lower than those of their cost effectiveness. It seems that the benefits of the use of these two promotional tools lie elsewhere. In the case of sponsorship, these two aspects were perceived higher than its cost effectiveness. It hints that these two may be the main advantages of the use of sponsorship.

China traders have always complained the infrastructure in the PRC being not good enough to support them to run seminars or exhibitions. It is often found that they have to bring their own equipments from overseas. Also the postal system in the PRC is kind of backward, if a company intends to launch a promotional campaign by mail, special arrangements have to be made with the postal offices.

Table 6
Availability of Supporting Facilities in the PRC to run Seminars, Exhibitions and Direct Mail Campaign

| <u>Promotional Tool</u> | <u>Availability of Facilities</u> | |
|-------------------------|-----------------------------------|-------------------|
| | <u>Insufficient</u> | <u>Sufficient</u> |
| Seminars | 12 | 23 |
| Exhibitions | 11 | 24 |
| Direct Mail | 11 | 24 |

As shown in the above table, about 1/3 of the respondents of each category believe the facilities available in the PRC is insufficient. It is quite a serious problem to China traders and there is still much room for improvement in this regard before China traders

can make best use of these tools.

Another problem to run seminars, exhibitions and invitations to visit companies is the number of desirable target audience attending is sometimes too low.

Table 7
Number of Desirable Target Audience to Attend Seminars, Exhibitions and Invitation to Visit Company

| <u>Promotional Tools</u> | <u>Number of Desirable Target Audience</u> | |
|--------------------------|--|-------------------|
| | <u>Insufficient</u> | <u>Sufficient</u> |
| Seminars | 7 | 26 |
| Invitation to Visit Co. | 7 | 24 |
| Exhibition | 9 | 22 |

It is revealed in the above table that about 78% of the respondents believe there are sufficient number of desirable target audience to attend their seminar and invitations to visit their companies. About 71% believe sufficient number of target audience to attend exhibitions. This figure represents a major improvement since China traders during the early 80's often complained that the people attended exhibitions were not those they intended to meet.

As shown in Table 8, 24% of the respondents believe the availability of exhibition is sufficient in the PRC. It shows that it is not difficult for China traders to find relevant exhibitions for their companies. About 1/4 of the respondents believe the availability of opportunities of sponsorship is not sufficient. It seems that companies have to actively seek opportunities for sponsoring cultural and sport activities in the PRC.

Table 3
Availability of Opportunities of Exhibitions and Sponsorship

| | <u>Availability of Opportunities</u> | |
|-------------|--------------------------------------|-------------------|
| | <u>Insufficient</u> | <u>Sufficient</u> |
| Sponsorship | 8 | 23 |
| Exhibitions | 2 | 31 |

It can be seen from Table 9 that about three fourth of the respondents believe that the availability of advertising space in newspaper ads and magazine ads are sufficient. As the number of different kind of newspapers and magazines keeps growing in the last few years, it is easier for China traders to place their ads on designated types of magazine and newspapers. There are about 65% of the respondents believe the availability of advertising space in TV is sufficient. Since advertising are allowed to be placed only before or after a program, it is no surprise that some China traders find the advertising space on TV insufficient. Only about 40% of the respondents believe that the availability of advertising space of billboards is sufficient. One of the reasons may be that the advertising space are mostly occupied by local advertisers.

Table 9
Availability of Advertising Space of Magazine Ads, Newspaper Ads TV Commercials and Billboards

| <u>Promotional Tools</u> | <u>Availability of Advertising Space</u> | |
|--------------------------|--|-------------------|
| | <u>Insufficient</u> | <u>Sufficient</u> |
| Magazine Ads | 7 | 23 |
| Newspaper Ads | 7 | 21 |
| TV Commercials | 8 | 15 |
| Billboards | 14 | 9 |

One of the problems faced by China traders in placing ads is government regulation. Since the government does not want foreign advertisements to affect the political ideology of the people, the regulations in this regard are stricter than those in other developed countries.

Table 10
Government Regulations on TV Commercials, Newspaper Ads, Magazine Ads and Billboards

| <u>Promotional Tools</u> | <u>Strict</u> | <u>Just Right</u> | <u>Relaxed</u> |
|--------------------------|---------------|-------------------|----------------|
| TV Commercials | 9 | 10 | 5 |
| Newspaper Ads | 7 | 11 | 8 |
| Magazine Ads | 3 | 15 | 9 |
| Billboards | 5 | 12 | 4 |

Among the above promotional tools, TV Commercials are believe to have stricter regulation than others as shown in the above table. About 38% of the respondents believe the government regulation on TV Commercials is strict while about 27% of them believe that newspaper regulation is strict and 24% of them believe that billboard regulation is strict. Only about 11% of the respondents believe the government regulations on magazine ads are strict. It seems that most China traders are satisfied with the ads that are allowed to be placed on magazines.

Lastly, since many companies send their releases to the press in the PRC, the respondents are asked the probability of having releases shown in press. Only about 15% say the probability is high. About 60% say the probability is medium while about 25% say it is low.

5.8 Relationship Between Comments of Promotional Tools and Frequency of the Use of Them.

It is important to know that the comments on different promotional tools between those China traders who use them more frequently and those who use them less frequently. The experience of those who use the tools more frequently may provide us with more insights in the understanding of the use of them. Also, it is worthwhile to uncover the reasons why some China traders do not use some of the promotional tools as frequently as others.

5.8.1 Invitation to People to Visit Company's Facilities

Since only 2 respondents say they have never invited people to visit their companies before, it is impossible to generalize their responses to draw conclusion about the opinions of similar kind of China traders. However, most respondents regardless of the frequency of their use of this tool believe that the cost effectiveness of it is high, the target audience receptivity to it is high, and it can also reach their target audience well.

There is only a slight difference between those respondents with different frequencies of the use of this tool. Almost 30% of the respondents who use it 3 times or less believe the number of desirable target audience to attend their invitation is not sufficient while only about 15% of the respondents who use it more than 3 times a year believe so. It seems that whether a company can

invite sufficient number of desirable target audience may influence the frequency of the use of this promotional tool.

5.8.2 Seminars

About 87% of the respondents who use seminar more than 3 times a year believe the cost effectiveness of seminars is high while one third of those who use this tool 3 times or less a year believe so. Although only 2 respondents have never used seminar before, both of them believe the cost effectiveness of it is not high. All respondents who use seminar more than 6 times a year believe the target audience receptivity to it is high and seminar can reach their target audience well while only 70% of those who use it 6 times or less a year believe target audience receptivity is high and 90% of them believe it can reach their target audience well.

One third of the respondents who use it above 6 times a year believe the availability of supporting facilities in the PRC to run seminar is insufficient while about 27% of those who use it 6 times or less believe so. It indicates that it is quite difficult for some China traders to run seminars in the PRC but most of them still have to use this promotional tool.

5.8.3 Exhibitions

Two third of the respondents who join exhibition above 3 times a year believe the cost effectiveness of it

is high while about 52% of those who join it 3 times or less a year believe so. Over 80% of the those who never join exhibition before believe its cost effectiveness is high. It seems that they do not have to rely on exhibitions to help them conduct business in the PRC even they know it is cost effectiveness.

Two third of the respondents who join exhibition more than 3 times a year believe that the target audience receptivity to exhibition is good while 35% of those who use it 3 times or less a year believe so. All respondents who join it above 3 times a year believe it can reach target audience well and the availability of supporting facilities to run it is good while 72% of respondents who use it 3 times or less believe it can reach target audience well and 55% believe the facilities available are sufficient. Eighty percent of respondents who join it above 3 times a year believe there are sufficient desirable target audience to attend exhibitions and only two third of the respondents who join it 3 times or less believe so.

It can be seen that the respondents who join exhibitions more frequently had better impression of various aspects of exhibitions than those who join it less frequently. However, the perception of its cost effectiveness is independent of the frequency the China traders join it. It reflects that one of the reasons why some respondents join exhibitions less frequently is the

difficulties they met in the process of the exhibitions rather than the cost effectiveness of them.

5.8.4 Sponsorship

The respondents' perception of the cost effectiveness of sponsorship is more or less the same regardless of the frequency of the use of it. However, they have different opinion in other aspects. Although there are only 4 respondents who use this promotional tool above 3 times a year, 75% of them believe the target audience receptivity to it is high and it can reach their target audience well. One third of the respondents who use it 3 times or less a year believe the target audience receptivity is high and two third of them believe it can reach their target audience well.

All respondents who have used this tool before believe the availability of opportunity for sponsorship is sufficient while only one third of those who have never used it before believe so. It seems that it is not hard to find opportunities for sponsorship if one seek them actively. While those who do not intend to use this promotional tool my believe it is quite hard to have this kind of opportunity.

5.8.5 TV Commercials

Although only 4 respondents say they use TV Commercials often or sometimes, all of them believe its

cost effectiveness is high, the target audience receptivity of it is high, its reach of their target audience is good, and the availability of TV advertising space is sufficient. Three out of 5 respondents who use it rarely believe its cost effectiveness is high and target audience receptivity to it is high. Four of them believe it can reach their target audience well and the availability of advertising space of it is sufficient.

For those who never use TV commercials before, 21% of them believe its cost effectiveness is high, 20% believe the target audience receptivity to it is good, 39% believe it can reach target audience well and 58% believe the availability of TV advertising space is sufficient. It seems that those respondents who use this tool more frequently have higher appreciation of various aspects of it.

About 71% of those who have used TV commercials before believe the government regulation on it is strict while only 25% of those who have never used it before believe so. It clearly indicates that most China traders with experience of the use of TV commercial feel that government regulation on it is strict.

5.8.6 Newspaper Ads

About 61% of the respondents who have used newspaper ad often or sometimes believe the cost effectiveness of it is high while about 15% of them believe it is low. About

22% of those who have rarely or never used it before believe the cost effectiveness of it is high and about 43% of them believe it is low. There is a tendency that those who use newspaper ad more frequently believe that the cost effectiveness of it is higher. A similar tendency can be found on the target audience receptivity of newspaper ad and the reach of target audience of it.

There is not much difference in opinion between those who use newspaper ad more frequently and those use it less on the availability of advertising space of it in the PRC. Overall, 24% say it is insufficient. Twenty percent of those who use it more frequently believe it is insufficient while 30% of those who have rarely or never used it believe so.

Twenty one percent of the respondents who use newspaper ad often or sometimes believe the government regulation on it is strict while 80% of those who rarely use it believe so. All respondents who have never used it before believe the government regulation on it is relaxed. It can be seen that some of those who have used newspaper ad before believe the government regulation on it is strict, especially those who have used it rarely. This may be one reason why they use this promotional tool rarely.

5.8.7 Magazine Ads

The perceptions on the cost effectiveness of magazine

ad have not much difference between the respondents who use it more frequently and those use it less. However, the respondents who have used it more frequently believe the target audience receptivity to it is higher. Fifty percent of those who have used it often believe the target audience receptivity to it is high while 28.6% of those who use it sometimes believe so. Only 12.5% of those who have rarely or never used it before believe the target audience receptivity to it is high.

It seems that those who use magazine ad more frequently feel the availability of advertising space of it is sufficient. Only 14.3% of those who use it often or sometimes believe it is insufficient but 43% of those who have rarely or never used it before believe so. The availability of advertising space may be one of the obstacles for those who have rarely or never used it to increase the frequency of the use of it.

Although only 3 respondents of those who have rarely or never used magazine ad responded to the question of the government regulation on it, all of them agree that the government regulation on it is just right. However, 13.6% of those who have used it often or sometimes believe it is strict. It seems that those who use magazine ad more frequently want the government regulation on it to be more relaxed so that they can make better use of this medium for promotion.

5.8.8 Direct Mail

There is a trend that those who have used direct mail more frequently believe its cost effectiveness is higher. About 57% of those who use direct mail often, 37.3% of those who use it sometimes, and 11.1% of those who use it rarely or never use it believe the cost effectiveness of direct mail is high.

A similar trend can be found on the opinion of the target audience receptivity and the reach of target audience of direct mail. About 61.5% of those who have never used it often, 42.8% of those use it sometimes, and 9% of those rarely or never use it believe the target audience receptivity of direct mail is high. About 93% of those who have used it often, 87.5% of those use it sometimes, and 40% of those rarely or never use it believe it can reach their target audience well.

About 92% of those who have used direct mail often and 87% of those who use direct mail sometimes believe the availability of supporting facilities to the use of direct mail in the PRC is sufficient while only one third of those who rarely or never used it believe so. On the whole, those who have used direct mail more frequently have a better impression of various aspects of it.

5.8.9 Billboards

Although only 4 respondents say they have used billboards often or sometimes, most of them believe it is

quite a good tool for promotion. Three out of four of them believe that its cost effectiveness is high, its reach of their target audience is good, and the availability of advertising space of it is sufficient. Two of them believe the target audience receptivity to it is high and all of them believe the government regulation on it is either right or relaxed.

However, most respondents who have rarely or never used billboard before did not like billboard as a promotional tool very much. Less than 10% of the respondents believe its cost effectiveness is high and more than 70% of them believe it is low. About 72% of them believe the target audience receptivity to it is low. Only 13% of them believe it can reach their target audience well and less than 30% believe the availability of advertising space of it is sufficient. While no respondents who have used billboard often or sometimes believe the government regulation on it is strict, one third of those who have rarely or never used it believe so.

5.8.10 Press Releases

Generally, those who have used press release often believe it is quite a good promotional tools. About 86% of them believe its cost effectiveness is high, 57% of them believe the target audience receptivity to it is high and 50% of them believe the probability of having release

shown in press is high.

For those respondents who have used press release less often, they do not think it is a good promotional tool to them. Only 22.2% of those who have used press release sometimes believe its cost effectiveness and the target audience receptivity to it is high while only about 7% of those who have rarely or never used it believe so. About 11% of those who have used press release sometimes believe the possibilities of having release shown in press is high while none of those who have rarely or never used it believe so. In addition, about 38% of respondents who have rarely or never used it believe its reach of target audience is good while about 93% of those who have used it often or sometimes believe so.

5.9 Conclusion

5.9.1 Promotion is perceived to be less important when compared to other marketing elements such as personal connections, price, image, after-sale service, and product quality in helping China traders conduct business. However, it is perceived to be more important than technology and personal selling.

5.9.2 There is a trend that for those companies which have stayed in the PRC longer, they believe promotion is more important to them. Compared with Hong Kong people and Japanese, American are less favored to promotion.

5.9.3 Some of the major promotion objectives mentioned by the respondents are :

- (a) to introduce products to target audience,
- (b) to develop relationship with customers
- (c) to enhance company image,
- (d) to provide detailed information of products to target audience.

5.9.4 The amount spent on promotion by foreign companies in the PRC is quite diverse. It ranges from HK\$ 120,000 to HK\$ 6 million. The companies which perceive their future in the PRC better spent more on promotion. Those which have stayed longer in the PRC tend to spend less on promotion.

5.9.5 Seminars, invitations to people to visit company's facilities, and exhibitions are perceived to be the most effective promotional tools to help foreign companies conduct business in the PRC. At present, this kind of face-to-face promotional tools is considered to be more effective.

5.9.6 In most of the cases, when a promotional tool is perceived to be high cost effectiveness, it is also perceived to be able to reach target audience well and have a high target audience receptivity.

5.9.7 Most respondents believe they can invite sufficient number of desirable audience to attend their seminars, visit to company's facilities and exhibitions. It seems that the problem of having too many undesirable audience to attend exhibitions has been alleviated.

5.9.8 For those China traders who frequently use TV commercials, newspaper ads, and magazine ads, they believe the government regulations on them are strict.

5.9.9 It is widely recognized that invitations to people to visit company's facilities is a good promotional tool. The frequency of the use of this tool seems to be affected by the number of desirable target audience a company can invite.

5.9.10 Most respondents believe the cost effectiveness of seminars is high. Although some of them feel that the availability of supporting facilities to run seminars in the PRC is not sufficient, they still have to use this promotional tool quite often.

5.9.11 Exhibition is recognized, in general, as a good promotional tool to China traders. Even for those who have never used it, they also believe the cost effectiveness of it is high. However, there is a tendency that for those who use it less often have less favorable attitude toward various aspects of exhibition such as the availability of supporting facilities in the PRC to run it, the number of desirable target audience to attend, etc.

5.9.12 The cost effectiveness of sponsorship is perceived to be more or less the same regardless of the frequency of the use of it. It seems that for those who use this

promotional tool more frequently, they can identify better the availability of this sort of opportunity.

5.9.13 Although only a few China traders have used TV commercials, most of them appreciate this promotional tool very much.

5.9.14 There is a tendency that for those China traders who use newspaper ads more frequently, they perceive the various aspects of this promotional tool better.

5.9.15 Although only a few China traders have used billboards in the PRC, in general, they have quite good impression of this promotional tool.

7. Conclusions, newspaper ads, magazine ads and other promotional tools will play a more important role in helping China traders conduct business in the future. In addition, the consumer market of the PRC has huge potential. A variety of promotional tools is essential to promote products successfully in such a market. It is recommended that China traders, at least, familiarize themselves with the promotional tools available in the PRC at present. When these promotional tools become essential, their experience of the use of these tools will help them stay ahead of their competitors.

Chapter VI Recommendations

6.1 At present, the promotional tools used by China traders are mostly limited to those emphasizing on personal contact such as seminars, invitations to people to visit company's facilities, and exhibitions. It is because most of the scope of foreign businesses in the PRC still concentrate on targeting on relatively small number of trading partners. However, the PRC's executives and decision makers of government bodies will know the business world outside the PRC better and expand their business contact in the future. Eventually, they will rely less on the gatherings with China traders to collect information. Instead, they can get access to information from more sources.

TV commercials, newspaper ads, magazine ads and other promotional tools will play a more important role in helping China traders conduct business in the future. In addition, the consumer market of the PRC has huge potential. A variety of promotional tools is essential to promote products successfully in such a market. It is recommended that China traders, at least, familiarize themselves with the promotional tools available in the PRC at present. When these promotional tools become essential, their experience of the use of these tools will help them stay ahead of their competitors.

6.2 It is widely recognized that trust and relationship are the essential elements to be successful in the China market. However, the ups and downs of the economy of the PRC and the instability of the government policies make it very difficult for China traders to conduct business. When time is bad, foreign businesses have to contract its scale of operation in the PRC. However, it is unwise for China traders to retreat from the China market even under such a situation. Once a company leaves, it is hard for it to come again since the relationship and friendship will be broken at that point. It is recommended that even a company has to reduce its scale of operation in the PRC, it is better to let their trading partners know its presence in the China market. Promotion of some kinds can help in this regard. For instance, a well-managed sponsorship program can win much of the confidence from the trading partners.

6.3 Japanese have been dominating the China market, in particular to the consumer market, since the PRC opened her door to foreign businesses. However, there are signs that the business activities of Japanese in the PRC may be reduced in the future. It could be a precious opportunity for non-Japanese firms to enter or to have a larger share of the market in the PRC. One of the crucial elements for the success of Japanese in the China market is their huge investment on promotion while others are still looking for the right channels to conduct business there. It has clearly indicated in this research that some of the

promotional tools are particularly effective to help foreign businesses in the PRC. China traders should make the best use of the tools available with the appropriate combination of other marketing elements to take advantages from this opportunity.

6.4 Most of the decisions related to various aspects of promotion in the PRC are dependent upon personal judgment of the persons in charge. For example, the price charged for TV commercials may vary from case to case. If somebody who have better relationship with the decision makers, they may get lower rate. Or if the decision makers know that the advertisers have strong financial back-up, they may charge them higher. The point is many things in the PRC are negotiable. Some of the rules set may be changed if a company can have its way to convince those people who are in charge to change their minds.

6.5 As promotion in the PRC is still in the early stage of development, many potential promotional tools can be borrowed from other countries or created to employ in this market. The PRC provides a good opportunity to those who can develop creative promotional campaigns to help their business. Some of the examples are the State Express/555 Hong Kong-Beijing rally and United Airlines' cultural exchange program. It is recommended that facing such a market with people having little exposure to the world outside, China traders can formulate effective promotional campaign by borrowing the ideas developed in other

countries or creating their own as long as they can be accepted by the government and fit into the cultural values of the people in the PRC.

6.6 When launching promotional campaign in the PRC, the benefits of the trading partners should be taken into consideration. The best way to improve the relationship with the trading partners is to offer them personal benefits. It would not help foreign companies too much if they require their trading partners to do extra work without extra compensation. During exhibition, if possible, free samples should be given to appropriate target audience. Seminars, if possible, can take place overseas. Promotion of these sorts may have extra help to foreign companies.

6.7 It is recognized that the government regulations on TV commercials, newspaper ads and magazine ads are quite strict. Nevertheless, it is necessary to remind that the approaches of promotion through these media used in other countries may not be effective in the PRC. More importantly, they should be fitted into the cultural norms of the people in the PRC. For example, most people watching television in the PRC are looking for information. They have stronger inclination to accept TV commercials which are informative. Fancy approach may result in developing negative feeling among audience. It is recommended that China traders should do research to find out the effectiveness of their TV commercials,

newspaper ads, and magazine ads especially when they adopt those approaches developed from other countries.

It is obvious that conducting business in the PRC is tough and challenging to businessmen. It requires so much patience, persistence, and bargaining skills. However, China traders need to ignore what other men can contribute to them.

Because of the conservative attitudes of decision makers and the restrictions imposed by the government, China traders find their business activities in the PRC with many handicaps. Actually, not too many pieces in the marketing mix are under their control. The PRC government inclines to deal with foreign business which can offer products or services to help modernize the country. It is well known that the PRC's executives are experts in bargaining on price. At present, distribution is still in the hands of the PRC's executives. Not many variables in the marketing mix are controlled by China traders. Location is one of the few on which foreign businessmen can have much influence.

It is seldom for a business entity to concentrate its scope of business solely in the PRC. China trade is always a part of the larger portfolio. Most foreign companies adopt a long-term policy to approach this market. They may be losing money at present but expect some day this market will generate big profit. The scope

Chapter VII Conclusion

It is obvious that conducting business in the PRC is tough and challenging to businessmen. It requires so much patience, persistence, and bargaining skills. However, China traders seem to ignore what promotion can contribute to them.

Because of the conservative attitudes of decision makers and the restrictions imposed by the government, China traders find their business activities in the PRC with so many constraints. Actually, not too many pieces in the marketing mix are under their control. The PRC government inclines to deal with foreign business which can offer products or services to help modernize the country. It is well known that the PRC's executives are experts in bargaining on price. At present, distribution is still in the hands of the PRC's executives. Not many variables in the marketing mix are controlled by China traders. Promotion is one of the few on which foreign businesses can have much influence.

It is seldom for a business entity to concentrate its scope of business solely in the PRC. China trade is always a part of the larger portfolio. Most foreign companies adopt a long-term policy to approach this market. They may be losing money at present but expect some day this market will generate big profit. The scope

of their business probably is in a small scale since they are still in the stage of preparing the future. Other than physically operating business there, China traders can create strong corporate identity in the minds of decision makers of the government bodies and business entities as well as the general public through a well-planned long-term promotional campaign.

Conducting business in the PRC is still a mystery to most businessmen. However, traces of successful business practices have eventually been uncovered. It is very likely foreign business have to pay more attention on promotion when the executives of the PRC adopt more western business practices and develop attitudes more favorable to a liberal economic system.

Appendix 1Respondents' Country of Origin

| <u>Country Origin</u> | <u>Number of Companies</u> |
|-----------------------|----------------------------|
| Hong Kong | 16 |
| U.S.A. | 7 |
| Japan | 5 |
| Europe | 5 |
| <u>Others</u> | <u>5</u> |
| Total | 38 |

Appendix 2

Respondents' Years of Working Experience in the PRC

| <u>Years</u> | <u>Number</u> | <u>Number of Companies</u> |
|-------------------|---------------|----------------------------|
| 1-3 | 13 | 6 |
| 4-6 | 13 | 6 |
| more than 3 | 11 | 6 |
| missing | 1 | 1 |
| | 38 | 19 |
| Energy | | 3 |
| Consumer Products | | 2 |
| Miscellaneous | | 4 |
| Others | | 6 |
| Missing | | 1 |

Appendix 3

Industry of companies in the PRC

| <u>Industry</u> | <u>Number of Companies</u> |
|------------------------------|----------------------------|
| Computers/Telecommunications | 6 |
| Chemicals | 6 |
| Machine/Equipment | 6 |
| Transportation | 4 |
| Energy | 3 |
| Consumer Products | 2 |
| Miscellaneous | 4 |
| Others | 6 |
| Missing | + 1 |
| | 38 |

Appendix 4

Type of Business of Companies in the PRC

| <u>Type</u> | <u>Number of Companies</u> |
|-------------------------|----------------------------|
| Sales Agent | 13 |
| Joint Venture | 6 |
| Direct Export | 5 |
| Contract Manufacturing | 3 |
| Wholly-owned Subsidiary | 3 |
| Others | 6 |
| Missing | <u>+</u> 2 |
| | 38 |

Appendix 5

Number of people of Companies involved in China trade

| <u>Number of people</u> | <u>Number of Company</u> |
|-------------------------|--------------------------|
| 3-7 | 10 |
| 10-25 | 9 |
| 30-65 | 8 |
| 100-300 | 8 |
| Missing | + 3 |
| | 38 |

Appendix 6

The Companies' Country of Origin

| <u>Country of Origin</u> | <u>Number of Companies</u> |
|--------------------------|----------------------------|
| U.S.A. | 13 |
| Japan | 9 |
| Europe | 9 |
| Hong Kong | 5 |
| Others | 1 |
| Missing | <u>1</u> |
| | 38 |

Appendix 7

The Companies' Years of Experience in the PRC

| <u>Years</u> | <u>Number of Companies</u> |
|--------------|----------------------------|
| 2-4 | 5 |
| 5-7 | 11 |
| 8-10 | 19 |
| Missing | + 3 |
| | 38 |

Appendix 8

Cross-tabulation between Company's country of origin and
Respondent's country of origin

| C R O S S T A B U L A T I O N | | | | | | | | | | |
|-------------------------------------|---------|---------|-----------|---------------|-----------|------------|-----------|-----------|--|--|
| X130 COMPANY'S COUNTRY OF ORIGIN | | | BY X142 | | | | | | | |
| X142 RESPONDENT'S COUNTRY OF ORIGIN | | | | | | | | | | |
| | COUNT | | 11: U S A | 21: HONG KONG | 31: JAPAN | 51: EUROPE | 71: OTHER | ROW TOTAL | | |
| X130 | ROW PCT | COL PCT | 11 | 21 | 31 | 51 | 71 | | | |
| U S A | 1 | | 7 | 4 | | | 2 | 13 | | |
| | | | 53.8 | 30.8 | | 15.4 | 35.1 | | | |
| | | | 100.0 | 26.7 | | 40.0 | | | | |
| HONG KONG | 2 | | 4 | | | 1 | 5 | | | |
| | | | 80.0 | | 20.0 | 13.5 | | | | |
| | | | 26.7 | | 20.0 | | | | | |
| JAPAN | 3 | | 2 | 5 | | 2 | 9 | | | |
| | | | 22.2 | 55.6 | 22.2 | 24.3 | | | | |
| | | | 13.3 | 100.0 | 40.0 | | | | | |
| EUROPE | 5 | | 4 | | 5 | | 9 | | | |
| | | | 44.4 | | 55.6 | 24.3 | | | | |
| | | | 25.7 | | 100.0 | | | | | |
| OTHER | 7 | | 1 | | | | 1 | | | |
| | | | 100.0 | | | 2.7 | | | | |
| | | | 6.7 | | | | | | | |
| COLUMN TOTAL | | 7 | 15 | 5 | 5 | 5 | 37 | | | |
| | | 18.9 | 40.5 | 13.5 | 13.5 | 13.5 | 100.0 | | | |

Appendix 10

Cross-tabulation between Company's years of experience in the PRC
and Respondent's expectation of future business

| CROSS TABULATION | | | | | | | | | | | | |
|-----------------------------|---------|----------|------|------|---------|------|------|-----|------|---------|--------------|-------|
| X136 COMPANY IN CHINA | | | | | BY X141 | | | | | | | |
| X141 EXPECTATION OF FUTURE | | | | | | | | | | | | |
| COUNT ROW PCT COL PCT | I IT | EXCELLEN | | GOOD | | FAIR | | BAD | | UNKNOWN | ROW TOTAL | |
| | | II | III | II | III | II | III | II | III | | | |
| X136 | | + | + | + | + | + | + | + | + | + | | |
| 2-4 YEARS | 1 | I | 1 | I | 4 | I | | I | | I | 5 | |
| | | I | 20.0 | I | 80.0 | I | | I | | I | 14.3 | |
| | | I | 25.0 | I | 20.0 | I | | I | | I | | |
| 5-7 YEARS | 2 | I | 1 | I | 7 | I | 1 | I | 2 | I | 11 | |
| | | I | 9.1 | I | 63.6 | I | 9.1 | I | 18.2 | I | 31.4 | |
| | | I | 25.0 | I | 35.0 | I | 25.0 | I | 66.7 | I | | |
| 8-10 YEARS | 3 | I | 2 | I | 9 | I | 3 | I | 1 | I | 19 | |
| | | I | 10.5 | I | 47.4 | I | 15.8 | I | 5.3 | I | 21.1 | |
| | | I | 50.0 | I | 45.0 | I | 75.0 | I | 33.3 | I | 100.0 | |
| COLUMN TOTAL | | | 4 | | 20 | | 4 | | 3 | | 4 | 35 |
| | | | 11.4 | | 57.1 | | 11.4 | | 8.6 | | 11.4 | 100.0 |

Appendix 12

Cross-tabulation between Respondent's perception of the importance of promotion and Respondent's country of origin

| CROSS TABULATION | | | | | | | | | | | |
|-----------------------------|-------|---------|--------------------------------|-----------|------|------|-----|--------------|---|--------|---|
| X142 | | | RESPONDENT'S COUNTRY OF ORIGIN | | | | | | | BY X02 | |
| X02 IMPORTANCE OF PROMOTION | | | | | | | | | | | |
| X142 | COUNT | ROW PCT | COL PCT | NO IMPORT | | | | VER. EXTREME | | | |
| | | | | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 |
| U S A | 1 | | | 1 | 6 | | 1 | | | | 7 |
| | | | | 14.3 | 85.7 | | | | | 18.9 | |
| | | | | 100.0 | 33.3 | | | | | | |
| HONG KONG | 2 | | | 7 | | 8 | 1 | | | 16 | |
| | | | | 43.8 | 50.0 | 6.3 | | 43.2 | | | |
| | | | | 38.9 | 53.3 | 33.3 | | | | | |
| JAPAN | 3 | | | 2 | | 2 | 1 | | | 5 | |
| | | | | 40.0 | 40.0 | 20.0 | | 13.5 | | | |
| | | | | 11.1 | 13.3 | 33.3 | | | | | |
| EUROPE | 5 | | | 3 | | 2 | | | | 5 | |
| | | | | 60.0 | 40.0 | | | 13.5 | | | |
| | | | | 16.7 | 13.3 | | | | | | |
| OTHER | 7 | | | | | 3 | 1 | 1 | | 4 | |
| | | | | | 75.0 | 25.0 | | 10.8 | | | |
| | | | | | 20.0 | 33.3 | | | | | |
| COLUMN TOTAL | | | | 18 | 15 | 3 | | 37 | | | |
| | | | | 2.7 | 48.6 | 40.5 | 8.1 | 100.0 | | | |

Appendix 13

Cross-tabulation between Respondent's perception of the importance of promotion and Respondent's promotional budget

| CROSS TABULATION | | | | | | | | | |
|-----------------------------|-------------|----------------------------|--------|----------|----------|----------|--------|--------|---|
| X143 | | PROMOTION AMOUNT LAST YEAR | | | | | | BY X02 | |
| X02 IMPORTANCE OF PROMOTION | | | | | | | | | |
| COUNT | | NO | | VER | | EXTREMEL | | ROW | |
| ROW PCT | COL PCT | IT | IMPORT | IMPORT Y | IMPORT Y | IMPORT | IMPORT | TOTAL | |
| | | 1 | 1 | 2 | 3 | 4 | | | |
| X143 | | 1 | 1 | 2 | 3 | 4 | | | |
| | 120K - 300K | 1 | 16.7 | 33.3 | 50.0 | 1 | | 30.0 | 6 |
| | | 1 | 100.0 | 22.2 | 33.3 | 1 | | | |
| | 500K - 800K | 2 | 1 | 2 | 3 | 1 | | 25.0 | 5 |
| | | 1 | 1 | 40.0 | 60.0 | 1 | | | |
| | | 1 | 1 | 22.2 | 33.3 | 1 | | | |
| | 1.0M - 2.5M | 3 | 1 | 3 | 2 | 1 | | 25.0 | 5 |
| | | 1 | 1 | 60.0 | 40.0 | 1 | | | |
| | | 1 | 1 | 33.3 | 22.2 | 1 | | | |
| | 4.0M - 6.0M | 5 | 1 | 2 | 1 | 1 | 1 | 20.0 | 4 |
| | | 1 | 1 | 50.0 | 25.0 | 1 | 25.0 | | |
| | | 1 | 1 | 22.2 | 11.1 | 1 | 100.0 | | |
| COLUMN TOTAL | | | 5.0 | 45.0 | 45.0 | 5.0 | 20 | 100.0 | |

Appendix 14

Cross-tabulation between Company's years of experience in
the PRC and Company's promotional budget

| | | | | | | | | | |
|-------------------------|---|---------|---------|---------|--------------------------------------|-------|------|-------|------|
| X136 COMPANY IN CHINA | | | | | C R O S S T A B U L A T I BY X143 | | | | |
| X143 PROMOTIONAL BUDGET | | | | | | | | | |
| COUNT | | I | | | | | | | |
| ROW PCT | I | 1: 120K | 2: 500K | 3: 1.0M | 5: 4.0M | ROW | | | |
| COL PCT | I | 300K | 800K | 2.5M | 6.0M | TOTAL | | | |
| X136 | I | 1I | 2I | 3I | 5I | | | | |
| 2-4 YEARS | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 3 |
| | I | 33.3 | I | I | 33.3 | I | 33.3 | I | 15.8 |
| | I | 16.7 | I | I | 25.0 | I | 25.0 | I | |
| 5-7 YEARS | 2 | 1 | 2 | 1 | 1 | 2 | 1 | 1 | 5 |
| | I | I | 40.0 | I | 20.0 | I | 40.0 | I | 26.3 |
| | I | I | 40.0 | I | 25.0 | I | 50.0 | I | |
| 8-10 YEARS | 3 | 5 | 3 | 2 | 1 | 1 | 1 | 1 | 11 |
| | I | 45.5 | I | 27.3 | I | 18.2 | I | 9.1 | 57.9 |
| | I | 83.3 | I | 60.0 | I | 50.0 | I | 25.0 | |
| COLUMN TOTAL | | 31.6 | 26.3 | 21.1 | 21.1 | 100.0 | 19 | 100.0 | |

Appendix 15

Cross-tabulation between Respondent's perception of future business in the PRC and Company's promotional budget

| X141 | | COMPANY FUTURE IN CHINA | | | | | CROSS TABULATION BY X143 | |
|-------------------|-----|-------------------------|---------|---------|---------|-------|--------------------------|------|
| | | X143 PROMOTIONAL BUDGET | | | | | | |
| COUNT | | | | | | | ROW TOTAL | |
| ROW | PCT | 1I: 120K | 2: 500K | 3: 1.0M | 5: 4.0M | | | |
| COL | PCT | 1- 300K | - 800K | - 2.5M | - 6.0M | | | |
| | | 1I | 1I | 2I | 3I | 5I | | |
| X141 EXCELLENT | 1 | 1 | 1 | 1 | 2 | 1 | 1 | 3 |
| | | 1 | 1 | 1 | 66.7 | 1 | 33.3 | 15.0 |
| | | 1 | 1 | 1 | 40.0 | 1 | 25.0 | |
| GOOD | 2 | 1 | 4 | 3 | 3 | 3 | 1 | 13 |
| | | 1 | 30.8 | 1 | 23.1 | 1 | 23.1 | 65.0 |
| | | 1 | 66.7 | 1 | 60.0 | 1 | 60.0 | 1 |
| BAD | 4 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| | | 1 | 1 | 100.0 | 1 | 1 | 1 | 5.0 |
| | | 1 | 1 | 20.0 | 1 | 1 | 1 | |
| UNKNOWN | 5 | 1 | 2 | 1 | 1 | 1 | 1 | 3 |
| | | 1 | 66.7 | 1 | 33.3 | 1 | 1 | 15.0 |
| | | 1 | 33.3 | 1 | 20.0 | 1 | 1 | |
| COLUMN TOTAL | | 6 | 5 | 5 | 4 | 20 | | |
| | | 30.0 | 25.0 | 25.0 | 20.0 | 100.0 | | |

Appendix 16

Please read the following instruction and return the questionnaire to the following address:

Andrew Pang
C605 Postgraduate Hall Complex
The Chinese University of H.K.
Shatin
Hong Kong

The purpose of this questionnaire is to investigate how various promotional tools help your company to conduct business in China. In all questions, promotional tools in question 1b., as well as in other questions, refer to such activities as advertising in different media, seminars, exhibitions, direct mail, sponsorships of sports and cultural events, invitations to people concerned to visit your company's local or overseas facilities, etc., but not personal selling.

1. What is your opinion of the importance of the following factors to success in China trade? (Please tick the answer that is most appropriate to you as shown : ✓)

| | <u>Not</u> <u>Important</u> | <u>Important</u> | <u>Very</u> <u>Important</u> | <u>Extremely</u> <u>Important</u> | <u>Can't</u> <u>Say</u> |
|-------------------------------------|--------------------------------|------------------|---------------------------------|--------------------------------------|----------------------------|
| a. After-Sale Service | _____ | _____ | _____ | _____ | _____ |
| b. Promotional Tools (as explained) | _____ | _____ | _____ | _____ | _____ |
| c. Price | _____ | _____ | _____ | _____ | _____ |
| d. Your Company's Image | _____ | _____ | _____ | _____ | _____ |
| e. Product Quality | _____ | _____ | _____ | _____ | _____ |
| f. Personal Connections | _____ | _____ | _____ | _____ | _____ |
| g. Technology Transfer | _____ | _____ | _____ | _____ | _____ |
| h. Personal Selling | _____ | _____ | _____ | _____ | _____ |

2. Of the following promotional tools, which three are most effective in helping your company conduct business in China? Please rank 1, 2 and 3. (1 for the most important)

- a. T.V. Commercials _____
- b. Newspaper Ads _____
- c. Magazine Ads _____
- d. Billboards _____
- e. Seminars _____
- f. Exhibitions _____
- g. Sponsorships _____
- h. Direct Mail _____
- i. Invite people to visit your company's facilities _____
- j. Press Releases _____
- k. Others, please specify
- (i) _____
- (ii) _____
- (iii) _____

3. What are the three most important objectives of the above promotional mix? (The first mentioned should be the most important and you can mention up to three objectives)

- a. _____
- _____
- _____
- b. _____
- _____
- _____
- c. _____
- _____
- _____

4. How often does your company use the following promotional tools ? (Please tick one answer for each promotional tool)

| | <u>Very Often</u> | <u>Often</u> | <u>Sometimes</u> | <u>Rarely</u> | <u>Never</u> |
|---------------------|-------------------|--------------|------------------|---------------|--------------|
| a. T.V. Commercials | — | — | — | — | — |
| b. Newspaper Ads | — | — | — | — | — |
| c. Magazine Ads | — | — | — | — | — |
| d. Billboards | — | — | — | — | — |
| e. Press Releases | — | — | — | — | — |
| f. Direct Mail | — | — | — | — | — |

more than 7-9 times 4-6 times 1-3 times
9 times a year a year a year a year None

| | | | | | |
|-----------------------------------|---|---|---|---|---|
| g. Seminars | — | — | — | — | — |
| h. Exhibitions | — | — | — | — | — |
| i. Sponsorships | — | — | — | — | — |
| j. Invitation to visit facilities | — | — | — | — | — |

5. A. T.V. Commercials G. Sponsorships
- B. Newspaper Ads H. Direct Mail
- C. Magazine Ads I. Invite people to visit
- D. Press Releases your company's facilities
- E. Seminars
- F. Exhibitions

Please use the corresponding letters (e.g. A for T.V. Commercials, B for Newspaper Ads, etc.) of the above promotional tools to indicate which tools can best achieve what the statements below mention. The first answer should be the most effective tool to achieve what the statement mentions, and the last answer is the least effective among your choices. You can answer up to 3 tools.

For example :

| | | | |
|----------------------------|----------|----------|----------|
| | 1 | 2 | 3 |
| To enhance company's image | <u>A</u> | <u>B</u> | <u>C</u> |

The answer to the above question means that T.V. Commercials can best enhance the company's image, then followed by Newspaper Ads, and Magazine Ads is the least among the three.

| | | | |
|--|---|---|---|
| | 1 | 2 | 3 |
| a. To create awareness for my company among target audience in China | — | — | — |
| b. To create awareness for my company's products among target audience | — | — | — |
| c. To inform target audience about something concerning my company | — | — | — |

- | | | | |
|---|---|---|---|
| d. To inform target audience about something concerning my company's product | — | — | — |
| e. To let target audience have a thorough understanding of my company | — | — | — |
| f. To let target audience have a thorough understanding of my company's product | — | — | — |
| g. To build up confidence to my company among target audience | — | — | — |
| h. To act as a first step in initiating business in China | — | — | — |
| i. To get acquainted with people in the organization of my clients in China | — | — | — |
| j. To meet end users | — | — | — |
| k. To generate new sales contracts | — | — | — |
| l. To gather competitive intelligence | — | — | — |
| m. To keep up with competitors | — | — | — |
| n. To reinforce contact with customers | — | — | — |
| o. To enhance my company's image | — | — | — |
| p. To stimulate customers to request information from my company | — | — | — |

If you have any comments on other functions of the above promotional tools or the functions of any other promotional tools in China, please state them here :

6. What is your opinion on the following promotional tools in China ? (Please tick one answer for each promotional tool)

(i) Cost Effectiveness of

| | <u>Very Low</u> | <u>Low</u> | <u>Medium</u> | <u>High</u> | <u>Very High</u> |
|--|-----------------|------------|---------------|-------------|------------------|
| A. T.V. Commercials | — | — | — | — | — |
| B. Newspaper Ads | — | — | — | — | — |
| C. Magazine Ads | — | — | — | — | — |
| D. Billboards | — | — | — | — | — |
| E. Seminars | — | — | — | — | — |
| F. Exhibitions | — | — | — | — | — |
| G. Sponsorships | — | — | — | — | — |
| H. Direct Mail | — | — | — | — | — |
| I. Invite people to visit your company's facilities | — | — | — | — | — |
| J. Press Releases | — | — | — | — | — |

(ii) Target Audience Receptivity of

| | <u>Very Low</u> | <u>Low</u> | <u>Medium</u> | <u>High</u> | <u>Very High</u> |
|--|-----------------|------------|---------------|-------------|------------------|
| A. T.V. Commercials | — | — | — | — | — |
| B. Newspaper Ads | — | — | — | — | — |
| C. Magazine Ads | — | — | — | — | — |
| D. Billboards | — | — | — | — | — |
| E. Seminars | — | — | — | — | — |
| F. Exhibitions | — | — | — | — | — |
| G. Sponsorships | — | — | — | — | — |
| H. Direct Mail | — | — | — | — | — |
| I. Invite people to visit your company's facilities | — | — | — | — | — |
| J. Press Releases | — | — | — | — | — |

(iii) Number of Desirable Target Audience to Attend :

| | <u>Very Insufficient</u> | <u>Insufficient</u> | <u>Sufficient</u> | <u>Very Sufficient</u> |
|---|------------------------------|---------------------|-------------------|----------------------------|
| A. Seminars | — | — | — | — |
| B. Exhibitions | — | — | — | — |
| C. Invitations to visit your company | — | — | — | — |

(iv) Reach of Target Audience of

| | <u>Very Bad</u> | <u>Bad</u> | <u>Good</u> | <u>Very Good</u> |
|--|-----------------|------------|-------------|------------------|
| A. T.V. Commercials | — | — | — | — |
| B. Newspaper Ads | — | — | — | — |
| C. Magazine Ads | — | — | — | — |
| D. Billboards | — | — | — | — |
| E. Seminars | — | — | — | — |
| F. Exhibitions | — | — | — | — |
| G. Sponsorships | — | — | — | — |
| H. Direct Mail | — | — | — | — |
| I. Invite people to visit your company's facilities | — | — | — | — |
| J. Press Releases | — | — | — | — |

(v) The Probabilities of Having Releases Shown in Press is :

Very Low Low Medium High Very High

— — — — —

(vi) Availability of Advertising Space of :

| | <u>Very</u> <u>Insufficient</u> | <u>Insufficient</u> | <u>Sufficient</u> | <u>Very</u> <u>Sufficient</u> |
|---------------------|------------------------------------|---------------------|-------------------|----------------------------------|
| A. T.V. Commercials | — | — | — | — |
| B. Newspaper Ads | — | — | — | — |
| C. Magazine Ads | — | — | — | — |
| D. Billboards | — | — | — | — |

(vii) Availability of Supporting Facilities in China to Run :

| | <u>Very</u> <u>Insufficient</u> | <u>Insufficient</u> | <u>Sufficient</u> | <u>Very</u> <u>Sufficient</u> |
|----------------|------------------------------------|---------------------|-------------------|----------------------------------|
| A. Seminars | — | — | — | — |
| B. Exhibitions | — | — | — | — |
| C. Direct Mail | — | — | — | — |

•

•

1

us

1

03

1

7. What is your company's country of origin ? (Please tick one)

- ☐ A. U.S.A. ☐ E. West Germany
☐ B. Hong Kong ☐ F. Other, Please specify _____
☐ C. Japan
☐ D. United Kingdom _____

8. What is the type of business of your company in China ?
(You can tick more than one answer)

- ☐ A. Joint Venture (Equity or Contractual)
☐ B. Sales Agent
☐ C. Contract Manufacturing
☐ D. Direct Export
☐ E. Wholly-owned Subsidiary
☐ F. Others, please specify _____

9. What industry does your company engage in ?

- ☐ A. Computers
☐ B. Energy
☐ C. Chemicals
☐ D. Airlines
☐ E. Telecommunications
☐ F. Others, please specify _____

10. About how many people in your company are directly involved in China trade ?

Please specify _____

11. How many years has your company been conducting business in China since 1978 ?

12. How many years have you been involved in China trade, including any time that you may have worked for other companies ?

13. Where did you grow up ?

- ☐ A. U.S.A. ☐ E. West Germany
☐ B. Hong Kong ☐ F. Other, Please specify _____
☐ C. Japan
☐ D. United Kingdom _____

14. What is your present position in your company ?

15(a). In general, what do you envision the future of your company's business in China to be ?

- ___ A. Excellent
- ___ B. Good
- ___ C. Fair
- ___ D. Bad
- ___ E. Unknown

(b). Why do you say that ? _____

16. Approximately how much did your company spend last year on the promotional tools mentioned in this questionnaire ? Please state currency.

Thank You for your kind co-operation.

Bibliography

"How China Buys Technology", The China Business Review, May/June 87, p.34.

"IBM Break New Grounds in China Advertising", Feb. 88. p.7 Asian Advertising and marketing.

"The Future of China's Advertising Industry", Hong Kong Economic Journal, June 22, 87, translated from the Financial Times.

Becker, Jasper "PR in the PRC", Asian Advertising & Marketing, January 1986, p.43.

Campbell, Nigel "Experiences of Western Companies in China", Euro-Asia Business Review, Volume 6, Number 3, July 1987, p.35.

Chao, C. N. & Wang, Lily H. Wang "China's View of its Trade Partners", Euro-Asia Business Review, Volume 6, Number 4, October 1987, p.40.

Diamond-Kim, Deborah "The Powder of Commitment", The China Business Review, November/December 86, p.40.

Freeman, Duncan "The Impact Grows", China Trade Report, August 87, P.89.

Green, Karen "US-China Trade Update", The China Business Review, March/April 87, p.28.

Grow, Roy F. "Reconsidering the China Market: Guidelines for Success", Euro-Asia Business Review, Volume 6, Number 4, October 1987, p.9.

Ho, Y.N. Kwan, Y.K. and Cragin, J.P. "Contemporary Advertising Attitudes and Practices among Executives in the PRC", Journal of the Market Research Society, Vol. 25, No. 1, Jan. 83, p.59.

Hwong, Thaddeus "China set boost HK Industry shows", Feb.4, 1988, SCMP.

Hopkins, Paul "Rising Sun Shines in China", Asian Advertising and Marketing, Vol., No. 2, Feb. 86, p.11.

King, Douglas "China Advertising in State of Constant Change", Asian Advertising & Marketing, June 1986, p.40.

Leff, M.H. and Farley, J.U. "Advertising Expenditures in the Developing World", Journal of International Business Studies, Fall 80, P.72.

Leung, Carolyn "Media-men Flock to Great Hall for Show", South China Morning Post, June 14, 1987.

Nevis, Edwin C. "Using an American Perceptive in Understanding Another Culture: Toward a Hierarchy of Needs for The PRC", The Journal of Applied Behavioral Science, Column 19, No. 3, 1983 p. 256.

Sapsford, Jathon "Japanese Agencies take Long View in China", Asian Advertising & Marketing, April 1987, p.47.

Seligman, Scott D. "China's Fledgling Advertising Industry", The China Business Review, January/February 84, p.12.

Seto, May "Modernization and the Media", The China Business Review, September/October, 85, p.10.

Simyar, Farhad "China: Crossroad to Fame or Failure?", Business Quarterly, P.30.

Sin, Y.M. and Ho, S.C. "Advertising in China, Looking back at looking forward", International Journal of Advertising, 1986,5, p.307.

Tam, Eppie "Crisis seen in China's exhibition industry", South China Morning Post, May 23, 87.

Tam, Eppie "Beijing Eases Advertising Restriction", South China Morning Post, April 30, 1987.

Taylor, Jeffrey R. "Consumer Forecasting", The China Business Review, March/April 87, p.22.

Thorelli, Hans B. and Battat, Joseph Y. "Marketing to China: Still the Silk Road", Euro-Asia Business Review, Volume 6, Number 2, April 1987, p.22.

Totten, Priscilla "Exhibitions at the Crossroad", The Chinese Business Review, July/August 87, p.43.

Tung, Rosalie L. "U.S.-China Trade Negotiations: Practices, Procedures and Outcomes", Journal of International Business Studies, Fall 1982, p.25.

Wudunn, Sheryl "Japanese Know What It Takes to Woo Chinese," South China Morning Post, Sept. 23, 1987.

Wyman, Molly E. "The Lure of Television", The China Business Review, September/October, 85, p.14.

Yuann, James K. "Negotiating a Technology License", The China Business Review, May/June 87, p.50.

Zhou, Nan Semenik, R.J. and Moore, W.L. "Chinese Managers' attitudes toward advertising in China", Journal of Advertising, Volume 15, No.4, 1986, p.56.



000487278